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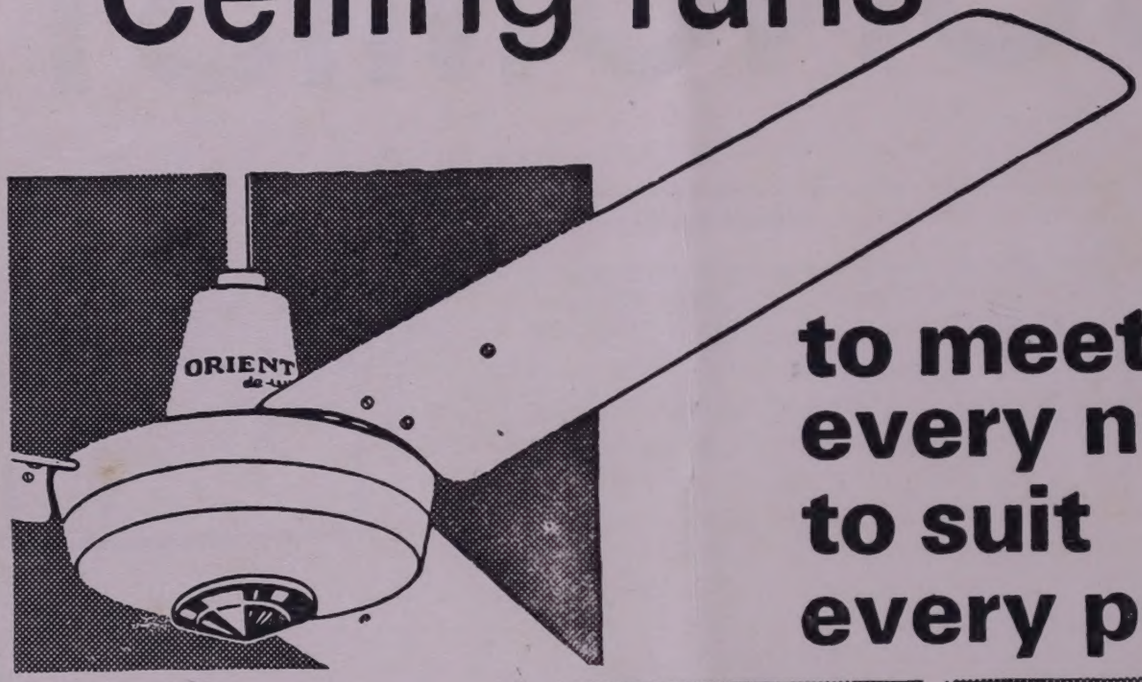
Dialogue of Sorts

More Food, Less Misery

Railways Must Grow

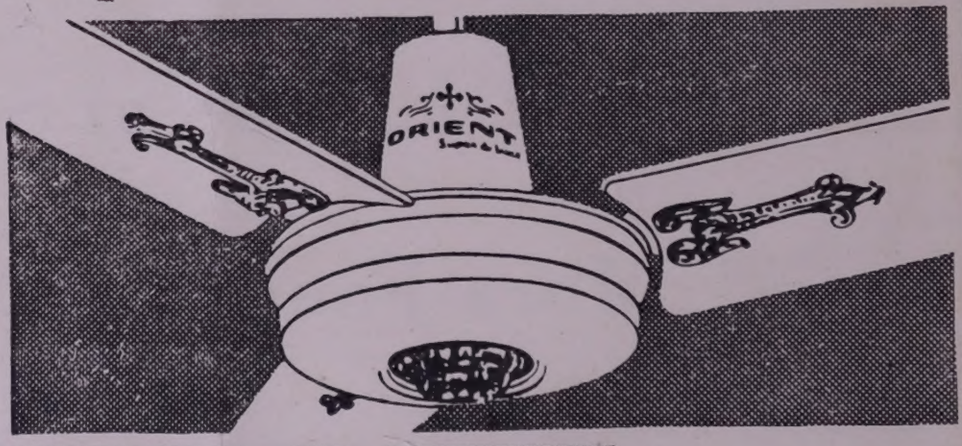
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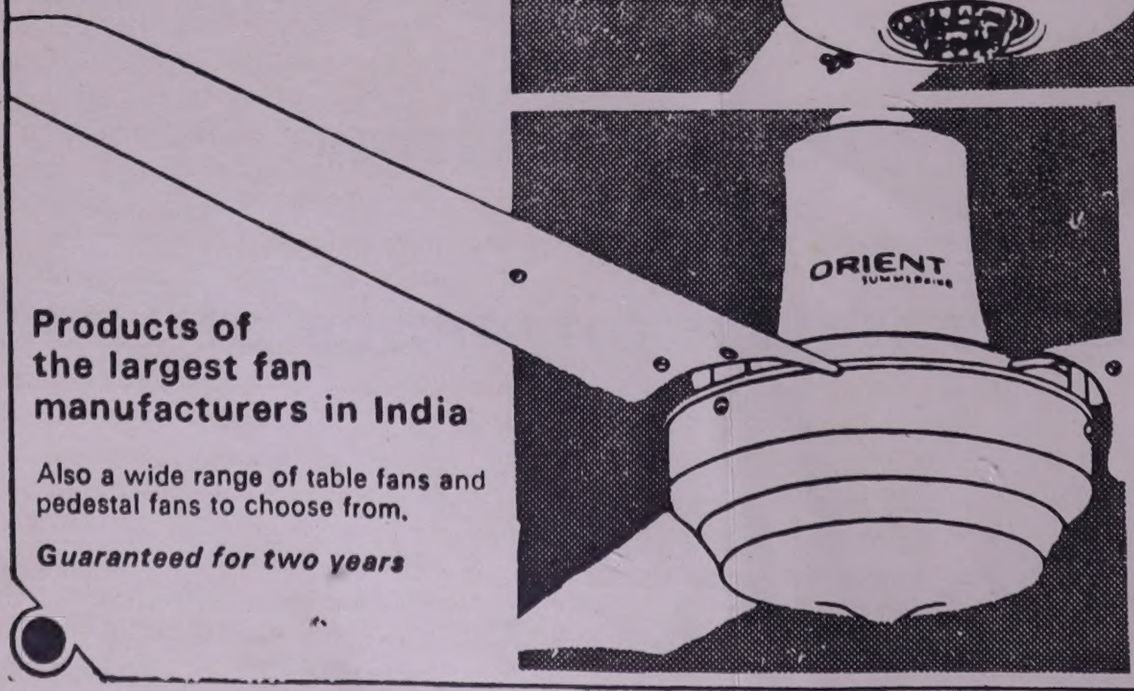


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Dialogue of sorts

As is generally the case with the annual sessions of the Associated Chambers of Commerce and Industry of India, this year's session too was practical and purposeful. The speeches made good and wholesome kichiri. The outgoing president, Mr H.P. Nanda, was eloquent on economics or, at least the businessman's version of it. The Finance minister, Mr H.M. Patel, was emphatic on ethics or the philosopher-politician's view of it. The incoming president, Mr A.W.B. Hayward, making his vote of thanks short and sweet, was great on poetry—"Other Men's Flowers", in Wavell's phrase. The occasion thus was reasonably fulfilling. Nevertheless Mr Patel confessed to some disappointment. He said that Mr Nanda's address gave the impression that Indian industry depended very heavily on concessions from government and he felt unhappy that such an impression should have been created when in fact industry in the private sector had been displaying praiseworthy enterprise. He advised the business community that "ultimately everything depends upon whether you respond to the incentives provided and the climate that has been created or merely demand more like Oliver Twist".

Mr Patel, we are afraid, has forgotten more Dickens than he had read. It should be difficult to imagine anybody less like Oliver Twist than our big industrialists, if only because few, if any, of them have exactly been in a poorhouse, although many of them have been put in the doghouse from time to time by the government of the day. Businessmen ask more from the government, not because they are starving, but because they are confident that, if they are given more by the government in the form of opportunities and facilities, they, in their turn, would be able to give much more to the community in terms of increased production, employment and incomes. In any modern political and economic community, the relationship between government and business is not one of the former parting with what it has and the latter depending on what it can get or grab. As modern governments assume increasing responsibility for mobilising and directing national resources, the business community naturally has to go to the corridors of power and bargain for necessary changes in fiscal or other economic policies. The Finance minister quite rightly exhorted businessmen to consider themselves as trustees of the people, particularly the poor of our country. But even trusts must have resources to invest and earn sufficient income if they have to be of any use to the public which they seek to serve.

Mr Patel rightly emphasised two inter-linked problems—poverty and unemployment. He pointed out that the redistribution of income by taxing it in the hands of the people to whom it had accrued in the growth process had proved an inefficient and insufficient solution to the problems of poverty. The number of people who could pay taxes in such a manner and for such a purpose was small and any worthwhile redistribution would require confiscatory rates of taxation leading to a sense of outrage among those affected and driving them to corruption and evasion. The only satisfactory way of eradicating poverty was an increase in mass employment. Mr Patel wished that Mr Nanda's address had given more consideration to this issue and he exhorted businessmen to pull up their socks and get down to the task of setting up labour-intensive industries using appropriate technology and therefore viable in their own right. He pleaded for the kind of change in the outlook of industrialists, scientists and engineers which would help impart this new direction to the growth process.

More particularly, Mr Patel desires that the large-scale industrial sector should take full advantage of the tax concessions extended to it by the current budget for expenditure on rural welfare and uplift and contribute to the growth of village and small-scale industries by fitting them in as ancillaries and enabling them to market their products more efficiently. He says that it is up to the business community to give a fitting answer to those who have found fault with this concession on the ground

that it may provide a loophole for tax avoidance.

To the central budget, Mr Nanda's address had on the whole adopted a friendly approach. He characterised budget policies and proposals as a happy blend of moderation and cautious imagination. However, he, like Mr Patel, had his own cause for disappointment. The budget, according to him, is silent on the whole question of cost reduction, so important for the stabilization of the price level and the revival of industries ailing from a recession in demand or wrestling with consumer resistance to current prices. Mr Nanda's argument is that voluntary price freeze could only be a stop-gap arrangement. In the present context, reductions in prices have to come mainly from reductions in indirect taxes, especially excise duties and sales-tax which have a cascading effect not only on the final products but more so on inputs. He pleaded for early modifications in the excise tax structure and felt that the government should have disclosed its reactions to the recommendations of the Jha committee.

NCAER study

On the issue of central excise tax ASSOCHAM has done its home work. It has not only armed itself with a study by the National Council of Applied Economic Research on the impact of central excise taxation on growth and production in selected industries but has also had this subject thoroughly discussed by its members as a curtain-raiser to the annual session. The NCAER study has concluded that the warning signals of the limit to commodity taxation being approached could be a fall in sales, increasing non-utilization of capacity and rising stock levels followed by a cut-back in production. These maladies are certainly present in various areas of industry at the moment. Mr Patel however has asked whether any useful purpose would be served by attempting to over-simplify the problem of excise tax reform. For instance, to quote Mr Patel, "although in theory we could see that it is an excellent principle not to tax inputs but only the final products.... to collect the tax on hundreds of items at the final stage would prove a difficult and expensive method in the conditions of our country." It is precisely for this reason that, in the current budget, the compounded levy on power looms has been replaced by an excise duty on the yarn used by them. The Finance minister however indicated that the whole question would be examined in the light of the final report of the Jha committee which was due to be submitted.

Mr Nanda expressed the view that the budget could have done more by way of relieving the heavy burden of capital cost on entrepreneurs attempting to start capital-intensive industries. He referred to the Marathe committee report which has been with the government for some time now and suggested that it should be released for public discussion. Some action, however, has already been taken on relief to industries in respect of capital expenditure on plant and equipment. The investment allowance scheme introduced in the budget for the last financial year and greatly liberalised now has strangely enough escaped acknowledgement in Mr Nanda's speech. Moreover, last year, the basic import duty on machinery and components for the manufacture of fertilizers and newsprint was reduced from 40 per cent *ad valorem* to 30 per cent *ad valorem*. A number of reductions in import duties were also made in the case of industrial raw materials. This year again, the central budget has included cuts in duties on certain imported raw materials with a view to enabling the Indian capital goods industry to meet foreign competition more effectively in the context of the policy which is now being adopted of allowing import of certain selected items of capital goods without prior scrutiny from the indigenous angle.

Nevertheless there still remains much substance in Mr Nanda's reasoning that, in all those cases where capital goods are being imported because they are known and shown to be not available from domestic sources, the import duty should be nominal, as otherwise capital-intensive, new industries tend to be over-capitalised, resulting in distortions in debt-equity ratios and crippling debt servicing liabilities. It is also to be borne in mind that, if the resources of the term-lending institutions are to be optimally employed for the starting of new industries or the expansion of industries, the draft which the mere payment of high import duties on plant and machinery makes on borrowings for a project which would take time to be commissioned and to pay its way should be kept as low as possible.

Remarking that the budget speech had been silent on the need for foreign invest-

Eastern Economist 30 Years Ago

JULY 4, 1947

The share market presented a mixed picture this week. Textiles struck against a background of easier sentiment in other sections. Steels came in for a good deal of selling pressure as expectations of lower dividends and reports of labour trouble at Jamshedpur depressed the sentiment. Tata-Deferreds lost Rs. 60 on balance, although Tata Ordinaries actually finished with a small gain of Rs. 6. Banks were quieter, finding sellers at easier prices. Electrics reported small business, without much change in quotations. Insurance section was neglected, while popular miscellaneous counters also declined slightly, owing to lack of much buying interest at higher levels.

The almost unique firmness of textiles arose mainly in connection with the discussions now going on in Delhi between the Government of India and the Industries Committee of the Textile Control Board. There are many rumours but it seems almost certain that the Government will not dare to accept the responsibility of removing price control under the present circumstances. It is very likely, however, that they may accede to the industry's request for higher ceilings, at least in respect of coarser varieties of textiles, in view particularly of the increase in labour costs, following the recent award of the Bombay Industrial Court fixing the minimum wage at Rs. 30. Since a very respectable case can be made out linking increased production with higher coarse cloth ceilings, the Government, in their anxiety to achieve the one, may not be able to resist conceding the other. It is, therefore, highly probable that as a result of the Delhi conference, the price for coarse cloths may be raised. And then there is the distribution angle. The Bombay Government, it would appear, have been successful in persuading the centre to share the view that it is the distribution control, which is at fault. But, it does not necessarily follow that the centre would, therefore decide in favour of complete removal of all controls over distribution. It is well known that deficit provinces have strongly opposed such a step. What seems likely is that there may be revisions and modifications possibly of a very substantial nature, of the control over distribution.

nent and technology Mr Nanda argued hat the implementation of the Foreign Exchange Regulation Act needed to be eviewed and improved in several respects, vhich he specified. In particular he was nsistent on the government clarifying that nce a company had complied with the equirements under FERA and diluted its oreign equity, it would altogether move ut of the ambit of the act and be permitted to raise additional capital. To this lea the Finance minister's response was in eneral terms. He said that he had not said anything on this subject in his budget "because the policy of the government remains unchanged." Mr Patel added that it was "only in areas which we consider vital for our further progress that we will welcome foreign capital and know-how." There, for the time being, must rest, however uneasily, our hopes of a sea-change in the view New Delhi would take of the needs of rapid industrial growth. Mr Hayward, after all, was not far out when he decided to take refuge in the poetic reflections of Sir Henry Wotton.

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More food, less misery

THE US Department of Agriculture has forcast a bumper world foodgrains harvest in 1977* at 1,321 million tonnes which is about 100 million tonnes more than the estimated output in 1976. The estimate covers wheat, coarse grains and milled rice. The anticipated increase in grain crops is largely due to expectations of improved yields in the USA, the USSR and Canada. Our country belongs to the group of those countries which have not done well; our foodgrains output is estimated to decline from 120 million tonnes in 1976 to about 110 million tonnes in the year under reference.

In an assessment made in March this year, the Food and Agriculture Organisation (FAO) of the United Nations failed to throw much light on the global foodgrains production prospects for 1977. All that it said was that "following the very large harvests of 1976, prospects for wheat and coarse grain production appear less favourable than a year ago. The world wheat harvest may decline from last year's high level, and coarse grain crops may also be lower". The World Wheat Council is in agreement with the FAO in regard to the wheat crop in 1977 being "slightly below" the record output of 411.2 million tonnes in 1976; its latest projected output is 403.6 million tonnes. Even if the estimate of the US Department of Agriculture regarding world grain crop turns out to be on the high side, the indirect evidence such as the build-up of stocks, rise in exports and fall in grain prices confirm the belief that 1977 would be the third good crop year in a row with output around or above the level recorded in 1976.

An analysis of the global food crops data for 1975 and 1976 shows that foodgrain supplies have improved considerably. The world production of foodgrains rose by three per cent in 1976 over 1975 and was the largest increase recorded since 1973. The major contributory factor was the spectacular leap taken by foodgrains output in the USSR and eastern Europe at 10 per cent followed by the Oceania and the near east at five per cent, Latin America at seven per cent, Africa at four per cent and north America at three per cent. The index numbers of food production (Base : 1961-65=100) in all major groups of countries, except western Europe and "eastern Europe and the USSR," attained new peaks in 1976. The index for western Europe in 1976 at 125 was four points lower than the all time high in 1974 and that of "eastern Europe and the USSR" at 143 was three points lower than the earlier peak in 1973 (See table in Records and Statistics feature, page 54)

In the developing countries, the year 1975 witnessed an upsurge in foodgrains production by more than five per cent; the index (Base 1961-65=100) for foodgrains production rose from 133 in 1974 to 140 in 1975, and further to 144 in 1976. The cumulative effect of all these increases was to raise the average annual improvement in foodgrains production in these countries between 1970 and 1976 to 2.6 per cent as against 1.7 per cent per annum between 1970 and 1974. Even though this level of attainment was below the four per cent target laid down in the International Development Strategy for the Second United Nations Development Decade, and reaffirmed by the World Food Conference (1974) the performance was reassuring keeping in view the bad harvests in 1972 and 1974.

The "State of Food and Agriculture, 1975" which sets out the annual review made by the FAO and has been released recently in this country is rather outdated. Even though the data regarding the encouraging performance in the field of food and agriculture in 1975 were available to the authors of this report, taking an over-all view of things since the beginning of the current decade they came to dismal conclusions. The upturn in agricultural activity in 1975 was taken to be a freak against the bad crops of earlier years.

slow increase

In the forword to this publication, Mr Edouard Saouma, Director-General of the FAO, said: "Even with the subsequent good harvests in most developing countries in 1975, food and agricultural production in the developing world has increased much more slowly than during the first United Nations Development Decade, and has fallen behind the growth in population". The annuel rate of increase in foodgrains production in the developing countries was 2.9 per cent in the decade 1961-70 which fell slighty, as stated earlier, to 2.6 per cent during 1970-76 (See table page 54). The order of difference is not significant and there is a high probability of the gap between the two rates of growth being further bridged in the coming years.

The developing countries in the far east (including our country) and the near east stand in a separate category. Their performance in terms of the annual increase in foodgrains production in 1970-76 over 1961-70 was better than that of

*Year ended June. All references to particular ear in this article relate to agricultural year nding in June.

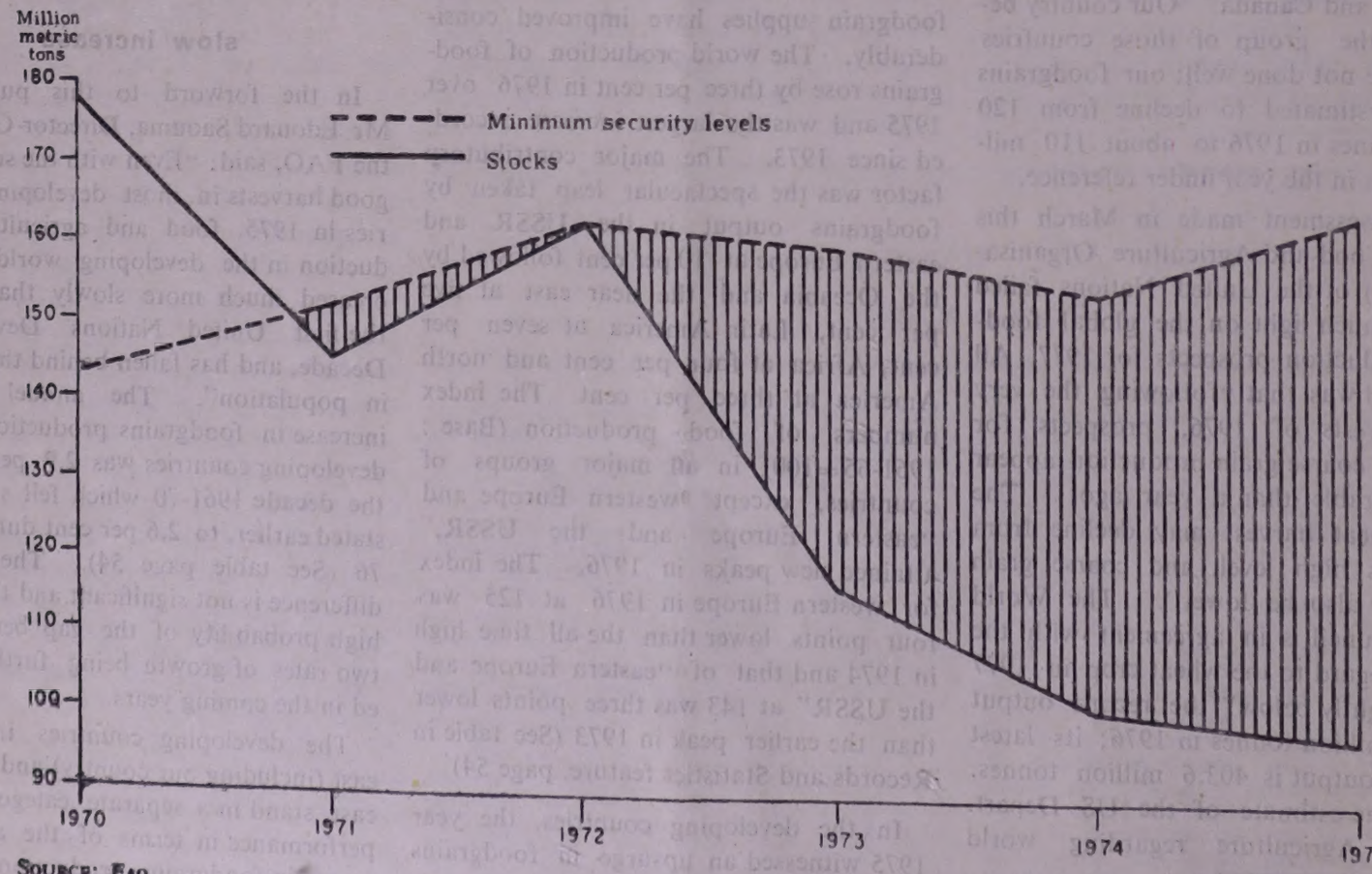
the countries in Latin America, Africa and Asian centrally planned economies. The annual rate of rise in foodgrains output both in the far east and the near East was more in the period 1970-76 than in the decade 1961-70. On per capita basis also, the developing countries in the near east and the far east put up as good or a better show in 1970-76 than in 1961-70. With the exception of Africa, all the other groups of developing countries reached an all-time peak in per capita output of foodgrains either in 1975 or 1976. It implied that the average per capita consumption of foodgrains in a majority of these countries "should now have recovered from the sharp falls that many saw during the early 1970s". But mere availability of foodgrains in a country is not enough; the people must possess the purchasing power to buy foodgrains available in the market. The FAO is right when it says that "in some developing countries the recent replenishment of cereal stocks may partly reflect the inability of the poorest consumers to purchase, from the improved harvests, adequate quantities for their nutritional needs". In our country also such sections of the poor do exist as have not been able to buy adequate quantities of foodgrains due to lack of purchasing power. An "Incomes, Wages and Prices Policy" which the Janata government in this country has promised to evolve may hold the key to this problem.

Good harvests in succession result in food security through the building up of stocks. The FAO echoes the relief felt in many countries when it states that "the existence of stocks now protects the world better against harvest shortfalls than at any time since 1972". The graph below shows the deteriorating position of world carry-over stocks which in 1975 fell below 100 million tonnes against the minimum security level of 160 million tonnes. Reliable estimates put the 1977 level of world stocks of foodgrains at about 155 million tonnes. They are now very near the 17 to 18 per cent of annual world consumption which is regarded by the FAO as the minimum safe level for world food security. In the building up of these stocks by the end of 1977 season qualitative improvement is expected, wheat stocks are likely to move up by 42 per cent as against coarse grain stocks rising by 20 per cent only and the rice stocks falling marginally.

While it is a welcome new feature that many of the traditionally deficient countries have built up stocks of foodgrains, the accumulation of stocks in north America has tended to depress world grain prices which might prove to be a disincentive to farmers there. The FAO has rightly voiced its concern in this regard especially because not "much progress has been made towards the establishment of the internationally coordinated system of nationally held stocks envisaged in the International Undertaking on World Food Security."

During his two-day visit to this country in the second week of May, Dr Edouard Saouma, Director-General of the FAO,

WORLD [1] CEREAL [2] CARRY-OVER STOCKS AND MINIMUM SECURITY LEVELS,[3] 1970 TO 1975



SOURCE: FAO.

[1] Excluding China and the U.S.S.R. — [2] Wheat, coarse grains and milled rice. — [3] Equivalent to 18% of world consumption.

ngratulated the government of India reaching the "safe stock level" of dgrains. Against consumption of out 100 million tonnes of foodgrains, country currently has stocks equiva- to 18-20 million tonnes. Dr. Saouma discussions with the officials of our vernment regarding the allowing of some our food stocks to be loaned through FAO to the nearby needy countries, ough no decision in this regard was taken. If the government of India wanted to increase its stocks further and experienced difficulties of finance, the FAO could render assistance and the stocks could be held on behalf of the World Food Programme, said Dr Saouma at a press conference in the capital. It is indeed a gratifying change to be asked to hold stocks of foodgrains for other needy nations rather than to be going about the world with a begging bowl!

Railways must grow

HE PLANNING of expenditure on develop- ent of existing facilities in different ctions of the railways and construction new lines and electrification of impor- nt sections have greater interest for the fferent regions than the budget estimates lating to revenue and expenditure for 977-78. It is not clear why the ministry as chosen to effect a small reduction of s 21 crores in the Plan outlay to Rs 480 ores from Rs 501 crores, when the origi- al budget allocation could have been asily afforded in the context of adequacy f resources. Even so the proposed out- y of Rs 480 crores represents a sizeable crease over the revised estimate of s 417 crores and the actuals of Rs 399 ores for 1975-76. The cut in expendi- re is in respect of rolling stock, signal- ng equipment and other heads. It may ot have any adverse effects on the opera- ons of the railways according to the airman of the Railway Board. Even respect of rolling stock it has been mphasised that the bigger reduction will late to diesel and electrical locomotives, e latter particularly, because of the slow ogress in electrification of different ctions.

The bulk of the expenditure is naturally n rolling stock, track renewals, bridge orks and traffic facilities and the assu- nce has been given that there will be no t in the orders for wagons though the iginal allocation itself is small in relation the capacity of the wagon builders. The crease in outlay may partly be due to gher cost of labour and material and the t real addition to outlay may not be as tangible as is borne out by increase in allocations. The time has however arrived for stepping up of expenditure on the augmentation of track capacity, construction of new lines and electrification of sections of railways particularly in the coal deficit areas. The expenditure on improvement of traffic facilities over a period has started paying good dividend and with intelligent planning and better labour discipline, it has been possible to handle a larger volume of originating freight traffice even in the face of increasing volume of passenger traffic.

perspective planning

It has been admitted by the Railway Board that the estimates relating to the capacity for handling traffic have been based on projections of growth in originating freight traffic. As passenger traffic has been increasing beyond expectations and a 12-15 per cent increase annually can be exepected to take place with longer leads in both freight and passenger traffic, the railways have to adopt perspective planning for the next 10-15 years if serious bottlenecks are not allowed to arise in later years. It is of course true that some part of the additional traffic may have to be handled by the road transport operators. From the point of view of national economy, however, bulk traffic will have to be handled by the railways while there may be preference for railway travel by passengers for medium and long distances.

The Plan allocations for 1977-78 do not seem to have these aspects in mind though Mr Madhu Dandavate has observed that the scope for raising additional resounces for implementing construction of new lines is being examined in consultation with the union Finance ministry and the Planning Commission. It need hardly be emphasised that the expenditure on new lines and electrification of important sections has to be at least doubled from the present figure of about Rs 42 crores. The allocation of Rs 51.99 crores for these purposes in the current financial year include Rs 10 crores on metropolitan transport projects. Of the balance of Rs 42 crores, new lines will claim Rs 23 crores and electrification of lines Rs 19 crores.

removing bottlenecks

It has been strongly represented from several quarters that new lines having traffic potential and capable of improving the existing facilities from the revenue angle should be constructed speedily and there should be planning on regional basis so that the bottlenecks in handling traffic and the difficulties created on account of transhipment points can be eliminated. The demand for west coast rail route has been put forward vigorously in recent years and Mr T.A. Pai, announced even some schemes towards them though they were vetoed later by the Planning Commission. The pressure on the Bombay-Trivandrum route via Madras may be relieved when the Guntakal-Bangalore broad gauge section is completed. But there may also have to be early conversion of the meter gauge link between Mirage and Bangalore so that three routes will be available. There will, however, be continuity of operation and effective diversion of traffic only if Bangalore can be suitably linked from Calicut or some other point so that there can be through travel from Trivandrum to Bombay via Bangalore without touching Madras.

The doubling of the track between Bombay and Madras also has to be given high priority as it has not been possible to handle available traffic speedily as is now being done in the eastern section. There may also be problems when iron ore from Hospet is diverted to Madras through the new broadgauge route via Guntakal and there is also an increase in originating traffic with the coming up of

steel plants in the region. It has also been demanded by the Andhra Pradesh government that this region should have more of new railway lines because its claims have been persistently ignored. It is only now that some improvements are contemplated and new lines proposed to be constructed for handling increasing coal raisings from the Singareni collieries. Karnataka also may complain that the progress of work on the Mangalore-Hassan line has been needlessly delayed especially as Mangalore port is in operation and the hinterland will benefit considerably if this link is in operation and in full swing.

The new Tirunelveli - Trivandrum line through Nagercoil will become a reality in the next two years. It is, however, difficult to visualise how the whole work will be completed in the next two years when the estimates have not been revised and it has not been indicated what will be the extent of overrun over the earlier assumptions. On the basis of the data furnished by the government, there will be a balance of only Rs 51,000 to be spent after 1977-78 while much work remains to be done. The appropriation for 1977-78 is Rs 2.75 crores. It is important that this broad gauge route should be linked with Tuticorin as there will be great delay in converting the existing meter gauge track into broad guage linking Madras through Dindigul, Karur and Erode. There is in fact great need for upgrading meter gauge section in Tamil Nadu, in several routes and sanctioning also the construction of new vital links.

electrification schemes

The railways will, however, benefit to a greater extent from electrification of the whole of the southern region as coal haulage will be highly expensive over a period and it is not also advisable to accelerate the pace of dieselisation. The electrification of th Vijayawada-Madras section had been seriously neglected in earlier years while the proposal for electrifying Madras-Bangalore route has not been considered at all. It is only in the current financial year there is some realisation of the urgency of completing work on the Vijayawada-Gudur and Madras Gudur sections and the electrification of the Madras-Trivellore section. The railway users in this region may feel happy that a good portion of allocation for electrification will be accounted for by four schemes in the South Eastern, South Central and Southern Railways. The Vijayawada-Gudur link has an allocation of Rs 6.10 crores, Madras-Gudur system Rs 2.20 crores and the Madras-Trivellore Rs 2.63 crores. The Waltair-Kirandul electrification scheme is of course aimed at handling increasing over traffic though there may be incidental advantages. The total allocation for all electrification schemes is only Rs 19 crores in 1977-78. Even with an acceleration of work on the Vijayawada-Gudur sector there will be a balance of Rs 13.90 crores and the whole work is scheduled to be completed by September 1979! These new developments have certainly to be welcomed but it is imperative to formulate plans on the basis of electrification of the entire broad guage system in the southern region within the next five years as there is no difficulty in procuring the required materials from indigenous sources and considerable economies in operation can be achieved over a period besides augmentation of track capacity by 40-50 per cent. Railway planning, therefore, needs to be completely reoriented.

Power crisis in West Bengal

THE POWER situation in West Bengal has sharply deteriorated in recent weeks. Industrial production has been seriously affected and exports too have suffered. Spokesmen of the chambers of commerce and industrial associations have repeatedly drawn the attention of the government of India and the government of West Bengal to the adverse impact of power shortage on the state's economy and the country's earning of foreign exchange. But the problem has been allowed to drift. It is true that many other states also have been experiencing scarcity of power in varying degrees. But special attention should have been given to West Bengal in view of its importance from the point of view of the country's development and defence. Even if West Bengal is fortunate in having a stable ministry, can it ensure regular and adequate supply of power?

The jute industry is estimated to be losing, on an average, about Rs 1.6 crores worth of production every month since January this year, the quantity being of the order of 5000 tonnes. Mr Gourilal Mehta, chairman of the Indian Jute Mills Association, said on May 23, that restrictions on power supply and unscheduled power cuts had been "a serious constraint on the industry's production efforts". He observed: "While we admit that there is an overall shortage in the supply of power in our state, we see no reason why the jute industry only should be singled out in the matter of power rationing. This has escalated our cost of production, thereby further weakening the industry's liquidity position and also its competitive strength in the global market. We have repeatedly represented to the state government that when there is a power shortage, the shortage should be shared by all industries on a uniform basis. We have been for some time requesting the Commerce ministry to move the state government in this matter".

Mr J. P. Goenka, chairman of the Bengal Mill Owners' Association, has also highlighted the difficulties faced by the cotton mills due to power shortage. At the annual meeting of the association, held on May 5, he said: "Another factor that has been affecting production and causing heavy loss to the industry is the unprecedented load sheddings and power cuts in the recent months. In addition to the loss of revenue by way of production loss, idle wage payment, and enormous increase in damage in weaving and chemical processing sections, the fluctuation and interruption of power supply is proving highly detrimental to the motors, switch gears and transformers at the mills.

"The textile industry in this zone has been passing through very difficut times, and the state government was, therefore, pleased to exempt the cotton textile industry from the provisions of the West Bengal Electrical Energy Control Order, 1974,

s a measure of relief. Such interruption n power supply has been causing severe train to the textile industry, and is defeating the very purpose for which the exemption was given. I do hope that the state government would take effective steps to maintain uninterrupted supply of power o the textile units".

The National Textile Corporation which has 14 mills in its charge in West Bengal has also drawn attention to their plight on account of the power crisis. It has revealed that in April this year, the mills under its charge lost Rs 30 lakhs in production. They normally produce 50,00,000 metres of cloth and 12,00,000 kg of yarn a month. The corporation had recently introduced new machinery in the mills costing about Rs 9 crores but the sharp cuts in power supply are reported to be causing much damage to it. Other industries in West Bengal have also complained about their acute difficulties arising from the power crisis.

It is indeed surprising that the generation of power in West Bengal continues to be far below the installed capacity. For example, the installed capacity (derated) of the four power plants in Bandel is 320 MW but the present generation is only about 175 MW. The capacity of the two plants in Santaldih is 240 MW but the generation is only between 130 MW and 160 MW. The Calcutta Electric Supply Corporation's capacity is 328 MW against which the generation is 200 MW. It is not clear why all these agencies are not able to step up their generation substantially. Mr P.C. Banerji, the Power Commissioner, said on May 28, that the only way to deal with the present situation was by proper maintenance of the power houses. But what is standing in the way of maintaining them at the highest level of efficiency?

Several suggestions have been made to provide some temporary relief from the effects of sudden and prolonged load-shedding. One of them is that industries should agree to transfer part of their day load to night when the generating agencies have some surplus power. But industries seem to be willing to implement this proposal only if they are given some substantial rebate in the power tariff. They say that by resorting to night shift, they will have to face various problems relating to transport, labour relations, and so on and, therefore, in the absence of some effective incentive, they will not be interested to switch-over to night shift.

Another suggestion is that industries should be given loans on easy terms for installing their captive units. It has also been proposed that the government of West Bengal should set up gas turbine sets in the Calcutta area as other states like Maharashtra, Assam and Karnataka propose to do. Such gas turbines, it is stated, are readily available in foreign countries. These and many other suggestions have been made on several occasions in recent months but the authorities do not seem to have shown much interest in implementing them. Meanwhile, the expansion schemes of the West Bengal Electricity Board as well as of the Calcutta Electric Supply Corporation have been making slow progress due to financial constraints.

The new ministry in West Bengal will have to give the highest priority to the solution of the power problem. Surprisingly, however, no political party seems to have shown a deep interest in this question. The objectives of bringing down prices, increasing the supply of essential commodities, and creating more employment can not be achieved so long as the state continues to be in the grip of a severe power crisis.

CORRECTION

A correspondent (Mr Ravi Datt, Investigator, Gr. I, Labour Bureau, Chandigarh) makes the following comments on the article "Industries: Current Assets and Liabilities" by Dr K. S. Mathur and D. K. Kotia published in Eastern Economist of January, 14:

"At page 53, line 15, where the value of F between rows has been calculated, the numerator should be written as variance between rows and not columns. Also the denominator should be 0.012 instead of 0.12. For the sake of uniformity, the variance ratio between rows (industrywise) should be written as 0.800 in place of 0.8. —Ed.

RECORDS AND STATISTICS

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The Manager,
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Indira Gandhi and Eastern Economist

THE PRIME minister's 'Person to Person' broadcast to the nation on April 24 is probably more than a public relations act or gesture on her part. Mrs Gandhi apparently feels a need for securing a measure of public confidence in the government's management of our economic affairs. This is all to the good. In a political system, where the dominance, for historic or other reasons, of one political party is so sweeping that the character of democracy tends to become diluted in practice, it is indeed most necessary that the government should be specially sensitive to what the public thinks of it. The virtue of Mrs Gandhi's broadcast is that it implicitly concedes that the government has an obligation to take note of what the public thinks or feels and in the light of that awareness explain its policies or render an account of its performance from time to time. It is true that this task is often best and most appropriately discharged through parliamentary institutions, but the relative unimportance of opposition groups in terms of political strength or potential renders it desirable for the ruling party and the government to subject themselves to additional disciplines.

In this context, it was not altogether surprising that the prime minister's broadcast was in the nature of a fare prepared painstakingly for the consumption of the government's critics. Mrs Gandhi, in other words, was on the defensive. It might have struck many that she was also inclined to be apologetic. As we had suggested earlier, this was not inappropriate in the circumstances and, to the extent that it showed a healthy disposition on the prime minister's part to encourage dialogues or perhaps even debates between the government and the public, the effort certainly had much to commend it. It may be pointed out, that, on this occasion, the prime minister chose to be unduly apologetic about the wrong things. We do not see, for instance, why she should have spent so much of her time on the furore over the government's fertilizer policy. Her preoccupation with those who had accused the government of having "sold out" under western pressure was almost pathetic since it tended to suggest that Mrs Gandhi seemed to believe that the government was functioning by the grace and goodwill of people such as Mr V.K. Krishna Menon or Mr K.D. Malaviya. On an earlier occasion, we had challenged the prime minister's statement in New York that only a government which was Left of Centre could remain in power with public support and ensure political stability in our country. We had argued then that our people were less interested in ideological directions than in such basic and specific needs as food, clothing, housing, employment and economic opportunities in general.

From the leading article captioned **"Person to Person"** which appeared in the issue dated April 29, 1966.

We repeat that for the government to seek security of tenure or political stability through manipulations of ideological abracadabra would be to wander in a wilderness of its own making. Our national experience surely has shown that the ruling party, by following such tactics, has for these 17 years been living on its political capital accumulated through the era of the freedom struggle. We are sure that many Congressmen realise this, but we are not equally sure that as many of them are aware of the fact that this capital is being depleted fast. The mistake which the prime minister makes is that, by wasting national time on irrelevant controversies, she is aiding and abetting them in gathering a political importance which could be put to mischievous use. The government's fertilizer policy after all is a simple one in its essentials which have been frequently expounded in parliament or elsewhere by her colleagues as well as by herself. Where then was the necessity for her to speak at such length on this wholly unreal issue? She did not even have the justification that what she said in the broadcast would persuade the wild men in her party to give up their sniping at government decisions. If it was Mrs Gandhi's intention that what was really an unhealthy and unhelpful controversy should be ended, she should have turned to such disciplinary resources as the Congress parliamentary party possesses rather than to a national broadcast for her purpose.

The prime minister, again, made an unwise use of her radio time by her elaborate defence of the government seeking external assistance for development. The debate on foreign aid is a familiar one and no new issues have arisen. The prime minister must know after all that the controversies about foreign aid, which are periodically being fanned into an agitation, are politically motivated and that the government's detractors are interested only in eking out their meagre political existence, by beating their miserable drums of dissent. Here, again, the prime minister only gave a further lease of life to another artificial controversy by devoting so much time to it in her broadcast. It is to be hoped that she will now not repeat these mistakes. Mrs Gandhi ought to learn to talk to the people at large and not only to the politicians—and she should choose to talk to our people about the things which matter to them—about what the government intends doing, for instance, to encourage and enable our agriculture to produce more food and other crops, industry to turn out more goods of all kinds, cities and towns to eliminate slums and increase housing accommodation and the economy as a whole to offer more jobs and improve incomes.

We do not know whether the prime minister fully realises that our people do not exactly look up to the government as the great provider. On the contrary, there has been a steady loss of faith in the public mind where the government's direct role in economic affairs is concerned. What is really expected of the government is that its role will become directional in a positive and constructive way so that the ideas and efforts of the innumerable men and women of our country are energised into a constructive current of national purpose and performance.

CAPITAL'S CORRIDORS

R. C. Ummat

Budgetary Deficit • Steel, Aluminium Expansion Plans • Public sector's role

TWO SIGNIFICANT developments have taken place subsequent to the presentation on June 17 of central government's regular budget for the current financial year, which can be expected to materially widen the estimated deficit of Rs 72 crores. They are : (1) the announcement by the minister for Commerce, Mr Mohan Dharia, of the decision to reduce the exports of tea this year by 15 million kgs from 240 million kgs last year; and (2) the lowering of the export duty on coffee from Rs 1,600 to Rs 1,100 per quintal with effect from June 25.

It is not clear whether full account had been taken by the Finance minister, Mr H.M. Patel, while drawing up the June 17 budget estimates, of the impact of a likely reduction in the exports of tea this year. This possibility was not ruled out in view of the government's anxiety to contain the prices of tea in the domestic market. The June 17 revenue receipts had taken credit of a significant increase in revenue over the interim budget estimates on account of the imposition of an export duty at the rate of Rs 5 per kg on tea exports with effect from April 15—subsequent to the presentation of the interim budget. A reduction in the exports of tea obviously will bring down the revenue receipts from this source—to the extent of Rs 7.5 crores of the June 17 revenue estimates expected tea exports this year to be kept up at the last year's level.

As a matter of fact, the revenue loss on account of tea exports may be even somewhat larger if the current boom in the tea prices in the international market tends to peter out, as has happened in the case of coffee. The world supply position of tea this year is expected to be quite easy owing to the encouraging output forecasts. In that event, the export duty on tea will have to be reduced, if not abolished altogether.

So far as revenue from export duty on coffee is concerned, it is difficult to judge the effect of the June 25 reduction of Rs 500 per quintal in this duty as data about physical exports are not available. The June 17 revenue estimates had taken into account an export duty on coffee of Rs 2,200 per quintal between April 26, when this duty was raised from Rs 1,300 to Rs 2,200 a quintal, and May 18, on which date the levy was scaled down to Rs 1,600 a quintal, and thereafter at the reduced rate of Rs 1,600 a quintal. This duty has been reduced now to Rs 1,100 a quintal. which means that apart from the revenue which might have accrued on account of exports of coffee between April 26 and June 25 owing to the enhancement in the duty since the presentation of the interim budget, there will be a net reduction in the revenue receipts from this source even from the estimate contained in the interim budget documents. This is because the interim budget expectation was based on coffee export duty of Rs 1,300 per quintal.

The reduction in the export duty on coffee on June 25 has been effected in view of the fact that the prices of this beverage in the international market have gone down substantially. At the rate of Rs 1,300 per quintal export duty, which came to be levied since November last when it was raised from Rs 300 a quintal, the interim budget for the current financial year had estimated a revenue of Rs 70 crores, taking into consideration that the exports of coffee this year would be around 60,000 tonnes, In view of the comfortable supply position of coffee, it may be possible to step up exports to a larger extent, thereby making up to some extent the loss in the revenue as a result of the lowering of the export duty to Rs 1,100 a quintal. But, surely, some shortfall in receipts from this duty cannot be ruled out. Moreover, since the downtrend in the world prices of coffee continues, a further reduction in the export duty on it may have to be resorted to.

It remains to be seen whether the likelihood of the deficit in the central budget going up from Rs 72 crores by a significant amount, as a sequel to the above two developments, would be offset by an increase in borrowings from the target figure of Rs 1,000 crores. This possibility is there in case the government takes advantage of the usual stipulation in its borrowing programmes for retaining oversubscriptions to the extent of 10 per cent. The government has already raised from the market loans aggregating to about Rs 550 crores, including the oversubscriptions retained to the extent of 10 per cent against the borrowings, resorted to already. It is expected to go in for the remaining borrowing programme in the next couple of months.

* *

The minister for Steel and Mines, Mr Biju Patnaik, has indicated that the near-future development programmes of the steel industry may have to be materially altered. Replying to be debate on the budgetary demands of his ministry in the Lok Sabha this week, he stressed that any expansion of the steel industry in the coming few years will have to aim at a short gestation period and economy in cost. If expansion has to be undertaken at the minimum capital cost, it will have to be, primarily for the time being, through the expansion of the existing steel plants which can augment the capacity to 20 million tonnes.

The new steel plants, Mr Patnaik opined, ought to be shore-based at locations such at Paradeep, Visakhapatnam aed Mangalore. The country would have to even think of basing steelworks on imported coking coal. But that stage, he thought, could not be envisaged in the near future.

Another important announcement Mr Patnaik made was that he was opposed to

extending budgetary support to steel plants which led to a certain amount of inefficiency. There should be no subsidies, he said, at the level of the pricing of steel or exports.

Mr Patnaik further stated that the steel industry currently was at the cross-roads. There was recession in the world market and a good deal of capacity was lying idle in countries such as Japan. This, he thought, was the time when countries like India could plan ahead and build up capacity to manufacture steel with technical and financial assistance from abroad as it would be easily available on liberal terms. Mr Patnaik revealed that he had already initiated negotiations with the Soviet Union, Japan, the USA and West European countries in regard to the expansion of steel industry here.

The minister for Steel and Mines also thought that with a view to taking advantage of the boom in the world aluminium market, which was likely to continue in view of the changing trends in automobile manufacture abroad, entailing replacement of steel by aluminium, we could also go in for a good deal of expansion of our aluminium industry as we have enough bauxite resources. In this regard too, he disclosed, he had started negotiations with a number of countries, including the Soviet Union and Romania. The results of these negotiations, he observed, might be available in about three months' time. Mr Patnaik called upon the state governments of Uttar Pradesh and Madhya Pradesh not to stop power supply to aluminium plants as had been done recently. He also stressed the need for expeditiously establishing the national power grid.

Mr Patnaik as well announced that he would ensure that the entire requirements of the country in respect of vanadium, nickel, lead and copper were fully met primarily from indigenous sources in the first two years of the sixth Plan. Because of lack of development of these minerals, the country had to spend crores of rupees on imports at present. The government, he added, had decided to set up a 50,000 tonnes ferro-chrome plant using chrome fines which were currently being exported. The plant would be established close to the site of the mineral resources.

* *

The Finance minister, Mr H.M. Patel, informed the Rajya Sabha last week that the government had decided to withdraw price preference which was being accorded in governmental purchases to the products of public sector undertakings. The step, he said, had been taken in view of the fact that the performance of these enterprises had improved in the recent years, particularly in regard to the utilisation of their installed capacities.

The scheme of price preference in respect of the products of the public sector units Mr Patel added, amounted to a grant of concealed subsidy and such indirect subsidy masked inefficiency, resulting in delays in the initiation of remedial measures.

Although the price preference had been withdrawn, purchase preference by the government to these products, Mr Patel assured, was being continued.

The Finance minister further observed that the withdrawal of price preference would not have any adverse effect on the performance of the public sector enterprises. It was also not correct to say that the government did not want to help the public sector.

The public sector, Mr Patel emphasised, had come to stay and it enjoyed commanding heights in various sectors of the economy. The only anxiety of the government was that it worked efficiently and generated further resources for the development of the economy.

Mr Patel also stressed that the country was wedded to mixed economy. Not only had the public sector to work efficiently but also the private sector. Both the sectors would receive equal attention from the government as they had a useful role to play.

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A look at the income-expense performance of IDBI

Pradip K. Kotia

There is some scope for reduction in the administrative overheads in the IDBI. This is the conclusion arrived at by the author who works in the Department of Economic Administration and Financial Management, University of Rajasthan. Though it is not the main objective of IDBI to earn profits, yet in the interests of efficiency it is necessary to minimise expense items. The author believes it is essential to make a continuous review and appraisal of IDBI's operations to develop a more efficient organisational set-up.

THE INDUSTRIAL Development Bank of India (IDBI) was established in 1964 to furnish term finance to industry and to co-ordinate the activities of financial institutions. The IDBI has been recognised as the most important agency for planning, financing, promoting and developing industries in India. The main services rendered by it are:

(i) Indirect assistance—to help financial institutions and banks through refinance, to guarantee their obligations, to subscribe to or purchase their securities.

(ii) Direct assistance—to help industrial units by granting loans and advances; by subscribing to, purchasing or underwriting their securities; by discounting or rediscounting of their bills; by guaranteeing their loans or deferred payments; and by rendering technical assistance.

(iii) Promotional activities—marketing and investment research, surveys, techno-economic studies, etc.

minimising costs

Though it is not the main object of IDBI to earn profit yet in order to measure the financial soundness and efficiency of its working it is very important to study its income and expense items. It is necessary to maintain a reasonable level of income by IDBI (i) to cover interest charges; (ii) to meet administrative overheads; (iii) to cover losses on account of bad debts; and (iv) to build up reserves. For these purposes it is necessary to minimise all costs in general and administrative overheads in particular.

A summary of the profit and loss account of IDBI for the last six years (from 1970-71 to 1975-76) is given in Table I. The table shows that the gross income and net profit of IDBI have been increasing continuously during the last six years. Gross income increased from Rs 12.94 crores in 1970-71 to Rs 41.87 crores in 1975-76 showing more than three-fold increase. During 1975-76 and 1974-75 the rate of growth in gross income has been more than 33 per cent as compared to their previous years. The net profit of the IDBI has increased to Rs 4.56 crores in 1975-76 as compared to Rs 3.40 crores in 1970-71.

In order to find what remains out of

POINT OF VIEW

profit after providing for all expenses, it is useful to study net profit as percentage of total income. In 1975-76 the amount of net profit was 10.9 per cent of the total income. The analysis of ratio of net profit to gross income reveals that during recent years (specially in 1974-75 and 1975-76) it has declined significantly as compared to earlier years. While the net profit in 1970-71 and 1971-72 was 26.3 per cent and 22.5 per cent respectively, in 1974-75 and 1975-76 the ratio came down to 12.9 per cent and 10.9 per cent respectively. It is clear that though the amount of net profit has been increasing continuously in absolute terms, in relation to gross income it has been decreasing continuously during the last six years (from 1970-71 to 1975-76). Thus, the rate of increase in net profit is less than the rate of increase in gross profit which shows that the total expenditure of IDBI has increased at a fast rate during the period of six years under review. The amount of total expenditure which was Rs 9.54 crores in 1970-71 increased to Rs 37.31 crores in 1975-76 showing a four-fold increase. As percentage of total income, it was 73.7 in 1970-71 and rose to 89.1 per cent in 1975-76.

volume of operations

Absolute profit figures cannot help us in measuring the profitability of an institution such as the IDBI. As the profit of an industrial or commercial business concern is studied in relation to sales value, the profit of a financial institution, such as IDBI, should be studied in relation to the volume of operations. The ratio of net profit to volume of operations in respect of IDBI for the last six years has been shown in Table II.

The amount of net profit in 1975-76 was one per cent of the total assistance sanctioned by the IDBI as compared to 2.9 per cent for the year 1970-71. The ratio has been showing continuous decline during the last six years except for the year 1972-73. Since IDBI has introduced many schemes of concessional assistance such as aid on concessional terms to (i) small scale industries, (ii) industries in backward areas, (iii) new entrepreneurs, etc the amount of profit as percentage of the total financial assistance has been coming down during the last six years. Therefore, the lower amount of profit (in relation to total assistance) does not necessarily represent inefficiency in the operational performance of the IDBI. However, it is necessary to examine the trend of IDBI's expenses so as to see whether they are within reasonable limit or not.

In order to make an intensive analysis, the components of the income statement i.e. various sources of income and various items of expense have been studied.

Analysis of individual items of income and expenses will show us the way in which the income of the year is composed and disposed of.

The main sources of IDBI's income are interest earned on financial assistance granted by it and income earned on investments made by it.

interest earned

The amount of interest earned by the IDBI during the last six years and the percentage of it to total income has been shown in Table I. Analysis of the data given in the table reveals that interest income contributed more than five-sixths of the total income during the period under review except for the year 1972-73 in which its share was nearly four-fifths of the total income. Due to continuous increase in the operations of the IDBI the amount of income from interest has been continuously increasing during the entire period of our study. In 1975-76 IDBI earned Rs 37.15 crores as interest on financial assistance given by it as compared to Rs 10.86 crores in 1970-71 showing an increase of more than three-and-one-third times during the six years under review. As compared to first three years (1970-71 to 1972-73) the amount of interest income increased fast during the last three years (1973-74 to 1975-76) and during 1975-76 it was highest at Rs 37.15 crores (88.7 per cent of the total income) as compared to all other previous years.

income on investment

The amount of IDBI's income from investments (Table I) forms nearly 10 per cent of its total income. Though as percentage of total income this source of income shows wide variations during the last six years yet in rupee terms it has been increasing continuously throughout the period under study. The income from investment which was Rs 1.69 crores in 1970-71 increased to Rs 3.71 crores in 1975-76.

It is clear from the above that a very large part of total income of IDBI has been contributed by interest and income from investments. These two sources contribute nearly 97 per cent of the total income earned by it during the last six years. Other sources of income do not provide a significant amount. These other sources include profit on sale of assets, interest on advances to staff, unspent provision written back, legal expenses recovered from parties, etc.

As profit is the balance after providing for all expenses, the amount of expenses necessarily affects the amount of profit. The more the expenses, the less will be the profit. In order to see whether expenses are within reasonable limits, it is necessary to study the trend of expense items.

interest paid

As IDBI has a large share of its funds in the form of bonds, long-term borrowings, etc, it has to pay interest on these liabilities regularly. Interest paid on these liabilities has the same importance in the IDBI as cost of production has in an industrial or commercial concern. Interest paid by IDBI during the last six years has been shown in Table I.

The data in Table I show that the amount of interest paid by IDBI has been increasing continuously during the last six years. The interest paid in 1975-76 amounted to Rs 34.17 crores as compared to Rs 8.59 crores in 1970-71 registering an increase of more than four times. The trend of the amount of interest paid shows

TABLE I

A Summary of Income and Expense Items of IDBI—1970-71 to 1975-76

(Rupees crores)

Items	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76
1. Interest earned	10.86	13.28	14.66	19.05	26.39	37.15
	(83.9)	(83.3)	(79.0)	(85.4)	(87.2)	(88.7)
2. Income from investments	1.69	2.19	3.27	2.56	3.32	3.71
	(13.1)	(13.8)	(17.6)	(11.5)	(11.0)	(8.9)
3. Other income	.39	.47	0.62	.69	0.56	1.01
	(3.0)	(2.9)	(3.4)	(3.1)	(1.8)	(2.4)
A. Total Income	12.94	15.94	18.55	22.30	30.27	41.87
1. Interest paid	8.59	11.11	13.49	16.57	24.20	34.17
	(66.4)	(69.7)	(72.7)	(74.3)	(79.9)	(81.6)
2. Administrative overheads	.72	.87	1.35	1.83	1.94	2.43
	(5.5)	(5.5)	(7.3)	(8.2)	(6.4)	(5.8)
3. Other expenditure	.23	.37	.11	.11	.24	.71
	(1.8)	(2.3)	(0.6)	(0.5)	(0.8)	(1.7)
B. Total Expenditure	9.54	12.35	14.95	18.51	26.38	37.31
	(73.7)	(77.5)	(80.6)	(83.0)	(87.1)	(88.1)
Net Profit A—B	3.40	3.59	3.60	3.79	3.89	4.56
	(26.3)	(22.5)	(19.4)	(17.0)	(12.9)	(10.9)

Note: Figures in brackets represent percentage to total income.

Source: Compiled from Annual Reports of IDBI

TABLE II

Ratio between Net Profit and Volume of Operations

(Amount in crores of rupees)

Year	Net profit	Total assistance sanctioned	Percentage of (1) to (2)
	(1)	(2)	(3)
1970-71	3.40	115.9	2.9
1971-72	3.59	154.6	2.3
1972-73	3.60	128.7	2.8
1973-74	3.79	202.2	1.9
197 -75	3.89	339.6	1.1
1975-76	4.56	470.7	1.0

Source: Compiled from Annual Report of the IDBI.

that during recent years it has increased at a fast rate as compared to earlier years. As percentage of total income, the amount of interest has been increasing during the last six years. While this item of expense was 66.4 per cent of the total income during 1970-71, in 1975-76 its share in total income increased to 81.6 per cent. Thus, in recent years more than four-fifths of the total income is being utilised to pay interest.

the correlation

It will be useful to study the relationship between interest earned and interest paid so that it can be known as to what is the correlation between these two. It will also throw light on the questions whether it is the amount of interest income which is increasing at a faster rate or the amount of interest paid. What is the rate of increase of these two in different years in comparison with the previous year? For this purpose chain base index numbers of the amount of interest received and the amount of interest paid during the last six years have been constructed and shown in Table III. It is clear from the index numbers that except for the year 1973-74, the rate of increase in the amount of interest paid was higher than the amount of interest received. This shows that expense (in the form of interest) has been increasing at a higher rate than interest income. It may, therefore, be said that the cost of arranging funds has been increasing at a higher rate than interest received on funds utilised for granting finadcial assistance.

TABLE III

Chain Base Index Numbers of the Amounts of Interest Received and Paid

Year	C.B.I. of Interest earned	C.B.I. of Interest paid
1970-71	100	100
1971-72	122.0	129.3
1972-73	110.5	121.6
1973-74	129.9	120.0
1974-75	138.6	145.8
1975-76	140.7	141.3

Source: Compiled from Annual Reports IDBI

Another important item of IDBI's expenses is administrative overheads. To operate, it is necessary to spend some money by it on various items such as salaries to staff, rent, taxes, insurance, lighting, postage, telegrams, telephones, printing and stationary, bank charges, audit charges, law charges, publicity and advertisement etc. The administrative overhead of a financial institution like IDBI should be within a reasonable limit otherwise its performance will not be considered to be efficient. In order to measure efficiency of IDBI regarding expenditure incurred on administrative overheads (i) the trend of administrative overheads for the last six years has been studied, (ii) the ratio of administrative overheads to total income has been analysed, and (iii) the administrative overheads have been judged in relation to the volume of operations.'

no increase

The administrative overheads of the IDBI for the last six years (from 1970-71 to 1975 76) have been shown in Table I. With the continuous increase in the volume of IDBI's operations the amount of administrative overheads has been increasing during the period under review. As compared to Rs 72 lakhs in 1970-71 the amount of administrative expenses increased to Rs 2.43 crores showing an increase of more than three times during six years. As percentage of total income, the amount of administrative overheads has been in the range of 5.5 per cent to 8.2 per cent. The ratio of admlnistrative overheads to total income was highest in 1973-74 (8.2 per cent) and since then it has been declining. In 1975-76 administrative overheads were 5 8 per cent of the total income as compared to 5.5 per cent in 1970-71. Thus, administrative overheads (in relation to total income) have not increased significently during the six years covered by the study.

The amount of administrative overheads depends on the volume of operations of the IDBI. If it performs more operations, the amount of administrative overheads would naturally be more. In order to study the relationship between administrative overheads and volume of operations, the ratio of administrative overheads to total financial assistance sanctioned has been calculated. The more the ratio, the less favourable will it be as it will represent operations with higher expenditure. The reverse of it is equally true. Table IV shows the ratio of administrative overheads to the total amount of assistance sanctioned for the last six years.

TABLE IV

Ratio Between Administrative Over ead: and Tota Assistance anctioned

(Amount in crores of Rupees)

Year	Administrative overheads	Total assistance sanctioned	Ratio of (1) (2)
	(1)	(2)	(3)
1970 71	0.72	115.9	0.6
1971-72	5.5	154.6	0.7
1972-73	7 3	128.7	5.7
1973-74	8.2	202.2	4.1
1974-75	6.4	339.6	1.9
1975-76	5.8	470.7	1.2

Source: Annual Reports of IDBI.

The ratio of administrative overheads to the total financial assistance sanctioned was 1.2 per cent in 1975-76. It means that the administrative expenses were Rs 1.20 on every Rs 100 financial assistance sanctioned. The ratio of administrative overheads to total assistance sanctioned shows wide variations during the last six years. While it was lowest at 0.6 per cent in 1970-71, it was 5.7 per cent (highest as compared to all other years) in 1972-73. Since the amount of assistance sanctioned during 1972-73 decreased as compared to the previous year, the ratio of administrative overheads to total assistance increased. The percentage of administrative overheads to total assistance can be reduced by absorbing the amount of overheads to a larger amount of assistance sanctioned by IDBI. Thus, it can be said that there is certainly some scope for reduction in the amount of administrative overheads. For this it is essential to make a continuous review and appraisal of IDBI's operations and to develop a more efficient organisational set up.

A planned approach to the edible oil problem

A. R. Patel

The country is in the grip of an edible oil crisis. The government has liberalised its import policy to make oil available to the people. But the country has to pay dearly because of the high international price of the commodity. The only solution, the author says, is to evolve a long-term policy for increasing output of oilseeds for which he has given various important suggestions.

THE CURRENT year has been witnessing a grave crisis on the edible oils front. The problem is both vast and complex. As a short-term measure action has been taken to liberalise the import policy for making available the needed quantity of oils to the people. However, the prices in international markets have been ruling high; moreover the country cannot afford to import edible oils in large quantities for any length of time since better use can and must be found for its foreign exchange reserves. A solution to this problem should be sought in a long-term policy of increasing the output of oilseeds and productivity per unit area per unit time by way of (i) improving yield of perennial oilseeds crops, (ii) extracting oil from all kinds of agricultural products, (iii) obtaining oil from non-edible-oil-yielding trees, (iv) exporting high-value oils and importing low-value tallow, (v) increasing the area under traditional crops, and (vi) encouraging cultivation of non-traditional oilseeds crops.

household demand

The household demand for oil was estimated to have been around 22.16 lakh tonnes for 1976-77 as against 21.76 lakh tonnes in 1975-76 and 20.33 lakh tonnes in 1974-75. However the availability of oil for the household sector appears to have been around 20.10 lakh tonnes for 1976-77 as against 20.38 lakh tonnes in 1975-76 and 19.20 lakh tonnes in 1974-75. This estimate of availability is a residual after providing for other requirements. The requirement of the vanaspati industry is estimated to have been 6.30 lakh tonnes for 1976-77 as against 5.80 lakh tonnes in 1975-76 and 4.33 lakh tonnes in 1974-75, while that of the soap industry is placed at 6.30 lakh tonnes for 1976-77 against 4.20 lakh tonnes in 1975-76 and 4.10 lakh tonnes for 1974-75. The requirement of the paint industry is placed at 1.00 lakh tonnes for 1976-77 being the same as in the preceding years.

As against this, the domestic oil output (including inedible oils used by the soap and paint industries) is, unofficially estimated at 26.70 lakh tonnes for the year ending September 1977. The oil output was 32.38 lakh tonnes in 1975-76 and 28.38 lakh tonnes in 1974-75. Domestic availability will have therefore to be improved with imports. It was therefore planned to import 5.30 lakh tonnes to make domestic availability of 31.70 lakh tonnes in 1976-77. The State Trading Corporation (STC) is understood to have contracted for four lakh tonnes of edible oils, imports during May are stated to have touched 50,000 tonnes bringing total imports over three lakh tonnes since September.

The international market for edible oils is currently extremely buoyant, following purchases by Russia and China and the increased demand from European countries for oilcake as cattlefeed in view of the prolonged winter. The international price per tonne of oil shot up from $480 in January to $765 in April in the case of rapeseed, from $505 to $789 in the case of soybean and from $450 to $630 in the case of palm. With the landed cost of oil over Rs 7000 a tonne against less than Rs 4500 in January last, it is most unlikely that the price will come down to the expected level. It is therefore necessary to evolve a multipronged strategy to increase the output of oilseeds crops and improve the extraction process.

A careful perusal of the pattern of total output of all major oilseeds in different years from Table II shows that the production of edible oilseeds over the years has risen due to the extension of the area under cultivation. However, the productivity per unit area has not risen except in the years 1970-71 and 1975-76. The total output has also not been significantly high because of (i) cultivation of oilseeds in marginal and sub-marginal lands, (ii) most of the area being under dry land has suffered, and (iii) non-availability of inputs of production and technical

TABLE I

Pattern of Output and Demand of Oils for Various Requirements

	1974-75	1975-76	1976-77
Demand for oil (lakh tonnes)	20.33	21.76	22.16
Availability of oil for household sector (lakh tonnes)	19.20	20.38	20.10
Requirements of vanaspati industry (lakh tonnes)	4.33	5.80	6.30
Requirement of soap industry (lakh tonnes)	4.10	4.20	4.30
Requirement of paint industry (lakh tonnes)	1.00	1.00	1.00
Domestic oil output (including inedible used for soap and paint industry) (lakh tonnes)	28.38	32.38	26.70

guidance to a large number of small and marginal farmers. These are the principal reasons for low yield. Thus there has been wide fluctuation in the total output and productivity of oilseeds. Consequently, the increase in output has fallen short of the requirements of the growing population for its fat and oil needs. The *per capita* consumption of fats and oils in the country at present in only about 10 grams per day (Table III) as against the requirement of about 30 grams per day.

There is greater need for stepping up oilseeds production now than before. As the kharif season is fast approaching, attention should be focused on educating farmers about the scientific methods of cultivation, especially proper methods of sowing so that optimum plant population is achieved which is the kingpin for raising productivity. Vigorous efforts should be made to ensure the availability of necessary inputs including credit in time. It is also necessary that the government announces the support price for groundnut before the sowing season to generate necessary enthusiasm amongst the farmers.

Inter-cropping in groundnut crop should be encouraged. In the Saurashtra region of Gujarat state, since groundnut is generally sown in wide rows, an inter-crop of less branched sesamum or early maturing sunflower would compensate for possible losses in groundnut during unfavourable seasons. There is scope for inter-cropping of jawar (sorghum) and groundnut in the medium black soils of Madhya Pradesh and Vidarbha region of Maharashtra state. The scarcity of seed was the most important limiting factor in extending/promoting oilseed crop cultivation. It is, therefore necessary to locate surplus quantities of good quality seed from the identified pockets and make it available to the deficit areas. With this important input, other necessary requirements of some specific states should also be met. Gujarat state, the biggest producer of groundnut in the country, requires additional quantities of superphosphate fertiliser for this crop. In Andhra Pradesh, concerted efforts should be made for the control of red hairy caterpillar and white grub insects under the epidemic area scheme. An aerial spraying project needs to be sanctioned for Gujarat state.

There is ample scope for increasing the area under groundnut, sesamum and sunflower through inter-cropping and cultivation in the new command areas as well as in the tribal and non-traditional oilseeds growing areas. In Andhra Pradesh and Karnataka, the command areas of Nagarjunasagar, Pochampad, Tungabadhra, Malaprabha and Ghataprabha and in Maharashtra the Jayakwadi project area offer substantial scope for increasing the area under oilseed crops. The tribal belt starting from Khammam in Andhra Pradesh through the agency areas of Andhra and Orissa and ending in the Chota Nagpur plateau in Bihar has well drained soils receiving 800 to 1000 mm of rainfall in three to three-and-a-half months. These areas could be explored for the introduction of groundnut crop. There could be other non-traditional areas in Madhya Pradesh, West Bengal and other states where the economics of cultivation of groundnut, sesamum and sunflower could be examined.

The government will have to initiate vigorous measures to off-set the shortfall by introducing a new package of practices and incentives. The strategy should centre round increasing yield per hectare. We should lay emphasis on the irrigated groundnut crop in the southern states during the summer season. Summer groundnut yields two-and-a-half times more than

TABLE III

Per capita Availability of edible oils and Vanaspati

Year	Edible oils (kg)	Vanaspati (kg)	Total fat (kg)
1950-51	2.7	—	2.7
1955-56	2.5	0.7	3.2
1960-61	3.2	0.8	4.0
1961-62	3.2	0.7	3.9
1962-63	3.1	0.8	3.9
1963-64	2.7	0.8	3.5
1964-65	3.6	0.8	4.4
1965-66	2.6	0.8	3.4
1966-67	2.5	0.7	3.2
1967-68	3.2	0.8	4.0
1968-69	2.4	0.9	3.3
1969-70	2.8	0.9	3.7
1970-71	3.3	1.0	4.3
1971-72	2.9	1.1	4.0
1972-73	2.0	1.0	3.0

TABLE II

Yearwise Area, Production and Yield per Hectare of Oilseeds

(Area in 000 hectares)
(Production in 000 tonnes)

Year	Production					Major oil seeds		
	Ground-nut	Rapeseed & mustard	Sesam-mum	Linseed	Castor seed	Area	Produc-tion	Yield kg/ha.
1948-49	2984	767	350	445	111	9678	4657	481
1950-51	3481	762	445	367	103	10727	5158	481
1955-56	3862	860	467	420	125	12085	5734	474
1960-61	4812	1347	318	398	107	13770	6982	507
1965-66	4230	1276	425	335	80	14928	6346	425
1966-67	4411	1228	416	260	110	14994	6425	429
1967-68	5731	1568	445	438	121	15667	8303	530
1968-69	4475	1572	415	352	111	14584	6925	475
1969-70	5130	1564	488	469	123	14812	7734	522
1970-71	6111	1975	562	474	136	15418	9259	601
1971-72	6180	1433	449	530	154	16033	8746	546
1972-73	3924	1853	355	439	136	14643	6708	458
1974-75	5111	2251	299	564	210	15638	8529	545
1975-76	6991	1945	465	621	150	15457	10173	658

the rainfed crop. Water required to lrrigate one hectare of paddy is enough to irrigate three hectares of groundnut crop. The summer crop starts coming into the market when market conditions are tight which provides welcome relief The command areas of Tungabhadra, Hirakud and Nagarjunasagar dams should be brought under summer groundnut crop. The red soil in these regions has been found more suitable for groundnut crop than paddy.

bridging the gap

Experience has shown that it is not enough to concentrate on the development of a few traditional oilseeds. To bridge the gap between supply and demand, development of non-traditional sources of oils as well as promotion of various types of minor oilseeds would be necessary. An important step in this direction is the introduction of a programme for increasing cultivation of soybeans which contain 20 per cent oil. Soybean will be of great help in making up for the deficiency of protein in our diet. With more than 40 per cent protein, soybean is of immense dietary significance, with over six per cent lysine, vitamin B-complex, thiamine and other amino acids. It is also a cheaper source of protein; one kg of soybean flour contains prote n equivalent of 12 kg of milk, 5 kg of rice, 3.5 kg of eggs and 2 kg of meat. It could be used for supplementing he traditional pulses in the Indian diet vhich have also become equally costly.

It would appear that even more than on soybean, stress has to be laid on the cultivation of sunflower, because the yield per unit area and the oil content of sunflower seed are higher than those of soybean. Sunflo er is an important oil-yielding crop extensively cultivated in the USSR, Bulgaria, Rumania, Uruguay, Republic of South Africa, Turkey, Argentina and Chile. Soviet Union contributes about 80 per cent to the world production of sunflower seed. Sunflower s a rich source of high quality edible oil 45-50 per cent) because of its non-cholesterol and anti-cholesterol properties. Research trials conducted with four sunflower varieties obtained from Russia reveal that there are good potentialities for heir cultivation in this country. It has so been established that sunflower crop could be cultivated throughout the year in the states of Tamil Nadu, Andhra Pradesh and Karnataka. This crop can be grown under rainfed conditions and can stand drought. As such, the potentialities for rapid development of the crop by introducing it in a multiple cropping pattern without displacing other crops are immense. Unlike groundnut, it can be grown in areas of marginal rainfall. It is therefore apparent that sunflower seed which has as high an oil content as groundnut, if not more, could meet not only the threat of recurring drought and lean rainfall, but also cover part of the deficit in edible oil supplies in the country. All efforts should therefore be made to popularise this crop among farmers through effective publicity, demonstration and promotional and educational programmes. Further, in order to overcome the problem of marketing, the government should assure a minimum price for this crop to the farmers. The centrally sponsored scheme was proposed to be extended to 6.5 lakh hectares by 1975-76. However not much has been achieved in this direction. There is great need to launch a massive compaign for sunflower cultivation in the above mentioned states.

Since the question of augmenting supplies of vegetable oils for meeting our growing requirements is a function not only of increased production, but also of avoiding uneconomic and wasteful uses of existing resources, all possible steps should be taken to achieve maximum use of available supplies. It may be pointed out that the technology used in expelling oil in the rural areas is wasteful; so is the case with small power-operated expellers also. About 3.8 million tonnes of oilcakes are produced annually from five major oilseeds and the expeller oilcakes produced in the country generally contain 8 to 12 per cent of oil; ordinarily the oil content should not be more than three per cent.

The elimination of the old and antiquated crushing units is a major socio-economic problem and has to be tackled by fiscal and other measures. However, efforts should be made to bring the entire amount of expeller oilcakes produced in the country under solvent extraction process. In the past, active encouragement was given for setting up modern solvent extraction units and within a short time India was able to build up a fairly wide-based solvent extraction industry with more than 125 modern units with a total extraction capacity of over three million tonnes. But the capacity of the industry remains underutilised to the extent of 50 per cent on account of erratic and inadequate supply of oilcakes. Out of the total availability of 3.8 million tonnes of expeller oilcakes in the country, only about 1.6 to 2 million tonnes are available to the solvent extraction industry for

TABLE IV

Targetted Cultivation of Sunflower

(Area in hectares)

State	1973-74	1974-75	1975-76
Andhra Pradesh	80,000	120,000	140,000
Tamil Nadu	120,000	180,000	200,000
Karnataka	50,000	70,000	80,000
Gujarat	30,000	50,000	60,000
Maharashtra	40,000	60,000	80,000
Madhya Pradesh	—	10,000	15,000
Uttar Pradesh	—	10,000	15,000
West Bengal	—	20,000	40,000
Others	—	10,000	20,000
Total	320,000	530,000	650,000

recovery of residue oil and the rest is being used as cattlefeed and manure.

There is often an uneven competition between demand from the farming community and demand for solvent extraction. Consequently, the solvent industry has to pay unduly high price for its essential raw materials. The extraction of 1.8 to 2.2 million tonnes of expeller cakes now being used as cattlefeed and manure can augment the supply of vegetable oils by another one lakh tonnes. According to the animal nutrition exports de-oiled cakes contain the requisite protein and other nutritional ingredients. It is therefore imperative that effective measures are taken to educate and motivate farmers to use de-oiled cakes for cattle feed purposes.

unconventional raw materials

Recent researches have established that cottonseed oil is edible and has a good measure of protein content. In 1950-51 hardly any cotton seed was crushed in India but now the industry crushes around 1.4 to 1.5 million tonnes and is expanding its production progressively. India produces nearly two million tonnes of cottonseed a year and if oil could be extracted with modern scientific machinery, it should be possible to obtain nearly 3.2 lakh tonnes of edible oil. Cottonseed oil is already being used in the vanaspati industry. In Japan and the USA rice bran oil is used extensively for edible purposes. Rice bran refers to the coating removed from brown rice during the process of milling. Sandwitched between the outer husk and the inner white grain of rice is a golden brown cuticle called bran which contains 15 to 25 per cent of oil. Unfortunately, in India rice mills are small and dispersed all over the country. They do not possess the equipment for sterilization of enzymes. Therefore, rice bran oil with its very high fatty content can be used only by the soap industry and fatty acid industry. With rice production at over 40 million tonnes, the availability of bran is of the order three million tonnes. Hardly one-tenth or three lakh tonnes of rice bran is extracted and the total output of rice bran oil is less than 50,000 tonnes. Even allowing for sowing, hand pounding ete. some three lakh tonnes of valuable oil can be produced.

Even though rice bran oil has not come to be used for edible purposes yet, production of oil for non-edible uses will release an equivalent quantity of edible oil for cooking purposes. This calls for granting liberal financing facilities for modernisation of rice mills. Rice bran is now being used as live-stock feed but extraction of oil from rice bran would only make it a better feed.

There is a large number of minor oil seeds which are capable of yielding a large quantity of oils for industrial and other uses, including soap manufacture, which if fully exploited, will reduce the pressure on edible oils. The minor oilseeds sub-committee appointed by the union ministry of Agriculture in 1970-71 estimated the total potentialities of minor oilseeds at 66.7 lakh tonnes equivalent to 10 lakh tonnes of oils. These minor oilseeds include Mowha, Kusum, Karanja, Sal, Kapak, Nahar, Tobaccoseed, Undi, Khakkan etc. The current availability of oil from minor oilseeds is estimated at about 60,000 tonnes. In the context of the present shortage of vegetable oils, the need for organised collection and effective utilisation of minor oilseeds has assumed special significance. Needless to say the increasing use of non-conventional oils in various oil based industries, particularly soap making, would release equivalent amount of edible oils, especially groundnut oil for direct consumption. Further, this will provide employment opportunities to a large number of tribals in those areas wherefrom these minor oilseeds are to be collected, procured, transported and processed.

In the ultimate analysis, immediate measures have to be initiated for increasing the area and the production of oilseeds, improving the yield of perennial oilseeds like coconut and oil palm, and extracting oil from all kinds of agricultural products including rice bran, cotton seed, maize, mango, kernal and tobacco seed. The programme should also intensify efforts for obtaining oils from non-edible-oil-yielding trees; planting under social forestry programmes trees and shrubs which yield edible and non-edible oils and evolving a long term policy of exporting high value oils and importing low-value tallow for use in the soap and detergent industry. There is also a need for launching an educational programme by ICMR and ICAR jointly to inform consumers about the nutritional value of sunflower oil, soyabean oil etc. to help in their marketing.

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Pleasant interlude in a sombre scene

E. B. Brook

In London the Commonwealth Conference happily juxtaposed with the jubilee celebrations of the Queen's reign. One of the greatest values of Commonwealth is that it provides a typical cross-section of world society in which the intensified North-South dialogue continues. In the European context, the author finds in all Market member-countries a questioning whether there should be further progress towards integration in the wake of the global recession.

IT WAS in some ways a pleasant, in others a misleading, coincidence in time that brought about in one place, London, the jubilee celebration of Queen Elizabeth's reign and the biennial meeting of Commonwealth heads of state and prime ministers. It was pleasant in that, except for the arguments about President Amin and whatever goings-on there have been in Uganda, everybody seemed to have decided to be firm but amiable-fortified with a remarkably expensive week-end at Gleneagles—and misleading in that the almost jingoistic Britishness of the jubilee

WINDOW ON THE WORLD

ollifications obtruded a falsely British ote into the atmosphere surrounding proeedings at Lancaster House. No harm vas done, but it as well to remember that he Commonwealth is a voluntary assoiation of peoples all over the world of vhom seven out of 10 are Asians and nly one out of 10 is European. The atter, however, have, with the small exeptions of Malta and Cyprus, income anges 17 to 31 times as high as the majoty of those in Asia and from one-third o three times as high as the best off of ny that can call themselves economically eveloping countries. To be fair, it is emarkable that discussions on any but ne generally most superficial subjects can be maintained in so high a degree of agreement.

No one will have grudged the economically hard-worn British a brief opportunity to rejoice; one of the greatest values of the Commonwealth conference is that it provides a typical cross-section of world society in which the intensified North-South dialogue between developed and developing countries has been and continues to be worked out. It was at least a move in the right direction that 18 of the 33 countries at the Commonwealth summit pledged increased contributions to its Fund for Technical Cooperation, a fund which finances the exchange of development manpower between member countries.

This 50 per cent increase in contributions, shared in by many developing countries as well as the better-off, should not raise overmuch cheer since last year the entire Commonwealth group spent rather less than 10 per head of its gross population for this purpose. Nor should it be seen as a heartfelt move of the better-off to help the others overmuch in human effort since, at the moment, 45 per cent of the Fund's workforce is provided by the developing countries. But, as a small move in the right direction, the conference's decision is welcome. This apart, there was little progress in moving towards a significant step in the world-wide economic controversy and the McIntyre expert group, set up at the 1975 Kingston meeting, did little more than re-emphasise what everybody knows, that the road to anything like a 'new international economic order' will be long and extraordinarily rocky. Meanwhile, a little more light has been thrown on the contentious subject of international borrowings and resultant debts.

revealing statistics

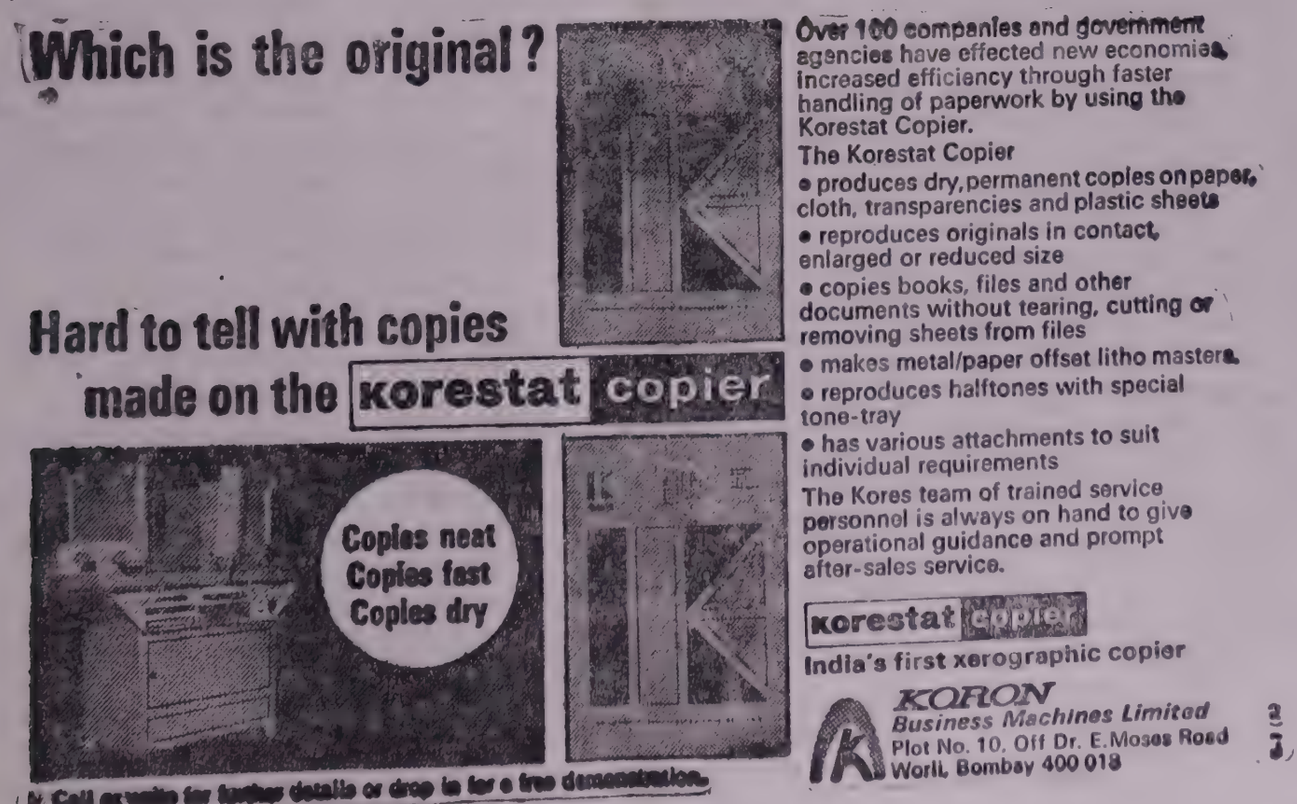
The International Monetary Fund has published some revealing statistics which show that developing countries have bank deposits outside their countries which go some way to offset the large sums some of them are obliged to borrow. Bank lending to developing countries came to $89 billion at the end of 1976—plus a good part of the loans channelled through offshore banking centres such as the Bahamas, Hongkong and Singapore. But the developing countries also had deposits of $57 billion, so that the net claims on them by banks is reduced to a much more manageable $32 billion. In relation to total world trade this figure is almost trivial.

Away from the centre of jubilee and Commonwealth, several parts of the Anglo-Saxon world have been unkind to the European Economic Community or Common Market. Australia's prime minister, Mr Fraser, has been bargaining to supply natural uranium to countries of the Common Market only if Australia is no longer prevented from exporting food to the Market by its common agricultural policy. The Market area is anxious, in view of the threat of even higher oil prices later this year, to reduce its industrial dependence on oil as a source of power. It sees an expansion of nuclear energy as the answer most ready to hand, but lacks the essential uranium. Both the

United States and Canada are increasingly reluctant to provide west Europe with sufficient uranium for this purpose since they also wish to reduce their imported oil dependence. Europe is therefore looking farther afield for uranium, and has its eyes set on Australian supplies. But the Australian demand that it be allowed to resume exports of beef and cereals to Britain and other Common Market countries will be a direct challenge to the Community's agricultural policy. Almost no beef or wheat from Australia is allowed in and, partly because of this fact, Australia has a growing trade deficit with the nine EEC members. But since Australia has up to 25 per cent of the world's reserves of low-cost natural uranium and since uranium production in Australia is to be expanded significantly, it is the easiest and most long-lasting of possible uranium supplies to Europe. The Australian demand would bring the energy necessities of west European industry and the politically dangerous dog-in-the-manger west European farmer into direct confrontation. The EEC's Commission and EEC members may have to work out a delicate equation to decide whether risking the farmers' vote and renewed farm strikes and farmers' riots is less dangerous to public security than a further increase in industrial unemployment.

The British, too, have been making rude noises in the direction of Brussels. The many anti-Marketeers in Britain—a breed to be found in all parties—celebrated the second anniversary of the referendum on EEC membership with a parade of facts and figures on the political and economic consequences of Britain's entry. Recent opinion polls in Britain have shown that more than half of the population is in favour of withdrawing from the Market. Recent rises in domestic food prices have increased unpopularity of 'being tied to Europe's tail.' In all Market member countries there is questioning whether there should be further progress towards integration and final realisation of the 'European dream.' Even that ardent pro-Marketeer, Chancellor Schmidt of West Germany, has recently supported the idea, first propounded by General de Gualle that the interests of European unity would be served best by a grouping of states retaining the essentials of independence. France is itself disinclined to accept that Portugal, Spain and Greece should be extended invitations to come into the Market, partly for reasons of competition, particularly in agriculture. There is an overall increasing wariness of the Market. The decline in basic economic circumstances of almost all member countries in the wake of global recession is a potent cause of general change of attitude in Europe generally to the Market. Every government is worried and afraid about increasing unemployment, which is almost certain to grow until at least 1980, and a fear of spreading communism is not the least of their worries. Any proposals for increasing European togetherness that might increase unemployment further are regarded with a very wary eye. Britain's anti Market lobby has friends in many other European countries and vested interests are very much in the foreground everywhere. Much is being made here of the fact that Britain's continuing membership depends on continued support of the idea in Parliament.

From across the Atlantic comes another challenge to the Market and its members. The Market Commission has warned its member governments that a recent US court ruling imposing special import duties where exporters receive tax rebates could unleash a major trade war across the Atlantic. Potentially, 90 per cent of Market exports to the US could be hit by the US court decision. If the prin-



ciple of outlawing tax rebates is upheld by the US higher courts, Market officials fear that exports totalling some $15 billions could be affected, with the car industry, engineering, electrical goods and a wide range of other products suffering.

The US court ruling contravenes GATT regulations. These regulations allow tax rebates providing that the amounts involved do not exceed the total tax payments made by a company in any one year. GATT officials are worried that the US ruling might constitute an extremely dangerous precedent which could trigger a general trade conflict between fully industrialised countries. Since the United States has never officially ratified the GATT agreement because of Congressional opposition and with unemployment still high in the US also, there is prospect of a very unacceptable situation.

The Hague's views on unfolding year

The Central Planning Office of The Hague, in its Central Economic Plan for 1977, forecasts an expected increase of seven per cent in the world trade and a rise of four per cent in the price of imports. The rise in import prices allows for a three per cent rise in the value of Dutch guilder. As a result of the increase there will be little improvement in the competitive position on the world market.

OPTIMISM CONCERNING future trends on the labour market would be premature, even after the reduction in unemployment in recent months. The policy instituted in 1976, aimed at job creation and limitation of the increase in the burden of taxation and social charges, will be no less necessary in the medium term. This is one of the conclusions reached by the Central Planning Office (CPO) of The Hague in its Central Economic Plan for 1977, published at the end of March, which contains a review of the year 1976 together with a forecast relating to the Netherlands economy in 1977.

The forecast is based on the policies announced by the Netherlands government. Measures which will definitely not be put into effect before 1978 have not been taken into account. 1976 can be summed up as a year in which the value of the guilder was high and wage increases were still relatively large, while on the other hand there was a decline in the rate of price increases and the financing deficits in the public sector were better than expected. A start was made on the realisation of a progamme to encourage investment in the medium term. This policy was supported by a high level of consumption and a recovery in house building.

Investments by private enterprise began to recover. Consequently the registered labour reserve decreased towards the end of the year, a trend which exceeded expectations, particularly as a result of the revival in house-building. In the monetary sphere the extensive export of capital attracted attention, as did the volume of credit granted by the banks. There was a certain cyclical decline in the labour-income ratio, but this still remained at a high level. There was a considerable drop in the number of jobs in manufacturing industry, in spite of the support to individual businesses.

The forecast for 1977 is based on an expected increase of seven per cent in world trade and on a rise of four per cent in the price of imports. This latter percentage allows for a three per cent rise in the value of the Dutch guilder.

With respect to government policies the forecast states that a number of amendments have been made to the Netherlands state budget for 1977, primarily with a view to reducing further the surplus reserves of the social funds. The sum involved is approximately f 1,500 million, almost one half of which will be used to reduce employers' contributions. On the other hand more money will be earmarked for support to individual businesses and for new job creation programmes for areas with high unemployment.

On the taxation side the most important elements of government policy are an 80 per cent inflation correction and changes in the investment facilities. These changes mean that the existing investment facilities, which were extended by a transitional arrangement on July 1, 1976, will be replaced by contributions via a new investment account, which is still the subject of uncertainty but is expected to be introduced in the second half of 1977. This is likely to yield some f 1,000 million in investment stimuli in 1977.

Finally, in the sphere of social insurance the main aim of the policy is to reduce contributions, which is possible because of the extensive surplus reserves held by the social funds. To sum up, government policy for 1977 puts the emphasis less on cyclical measures than on the encouragement of investments within the framework of medium-term development, with the stress also on the current problems of nominal wage costs and real disposable income, via contributions to social insurance premiums. The extent to which changes will be made to the existing price control policy is still a matter for conjecture, depending on the actual development during the course of the year.

volumetric components

The CPO then gives a summary of the volumetric components of the market:

—The increase in exports of goods will be less than the seven per cent rise in world trade, partly as a result of the high value of the guilder. Important elements are the decline in shipbuilding, the virtual end to growth in the volume of natural gas exported and the sharp rise in building activity abroad (which is included under exports of services);

—The volume of material government spending will drop slightly;

—House-building, on the other hand, will increase by no less than 12.5 per cent and;

—A further recovery of eight per cent, is also expected for investments by the private srctor, partly as a result of measures to stimulate investment and of greater investments in medical care;

--A 3.5 per cent increase in the volume of consumption, with a real increase in wages of around 2.5 per cent.

Assuming normal stockpiling, this

vould mean a rise in production of 4.5 per cent for private enterprise as a whole, ncluding a recovery of nine per cent in agricultural production and a five per cent ise in industrial production. It is concluded that the number of jobs in industry vill continue to decline in virtually every ector but particularly in shipbuilding, nd in the textile and clothing industries, vith this decline being limited by additional support to individual companies or ectors. A counter-balance will, however, e supplied by thc services sector and the uilding industry, and there may therefore e some stabilisation in the employment ituation in the private sector as a whole.

Allowing for supply factors on the abour market the final conclusion is that, s an annual average, the labour reserve n 1977 will be lower than in 1976; between 210,000 and 215,000 as compared vith 224,000 last year.

increase in imports

Corresponding to the rise in production nd sales the forecast predicts a six per ent increase in the volume of imports. Competitive imports will continue to increase steeply, which means a further, and n some cases, considerable loss of their hare of the home market for virtually all ectors of industry. There will be practically no change in the terms of trade. Consequently there will be a decline in the rade balance, which will be reflected in ull on the current account of the balance f payments. The result is a surplus of 5,500 million as compared with a surplus f f 6,500 million in 1976. Another signiicant point is a further moderation in he nominal trend of wages and prices. The appreciation in the value of the uilder, restrictions on tariffs charged by he public sector (limited to five per cent, vith the exception of natural gas) and xpected normal harvests are contributory actors, but more important is the trend f wages. After the 13.5 per cent increase n 1975 and the 10.5 to 11 per cent in 976, a wage rise of 7.5 per cent is expeced for 1977.

Allowing for cost factors and a further mprovement in profit margins, overall onsumption will be subject to a price increase of 6.5 per cent and consumption y households to one of six per cent. These percentages differ only slightly from the 7.5 per cent for wages. Nevertheless the improvement in the real disposable income of low salary-earners (the "modal employee") will amount to 2.5 per cent.

The increase in profit margins will apply to virtually all parts of the macro-market, and the labour income ratio will consequently decline furthur from 93.5 to 92 per cent.

Taken as a whole there will be a number of positive trends resulting from government policy for 1977:

—The surplus on the current account of the balance of payments indicates a strong external position;

—It is possible that wage rises will remain below eight per cent;

—The increase in prices, albeit still high, is becoming smalller, partly as a result of the increase in the value of the guilder and the policy with respect to tariffs charged by the public sector;

—House-building will increase sharply;

—There will be some recovery in investments by the private sector.

On the other hand there is the fact that, given a constant or even slightly smaller burden of taxation and social charges, a large financing deficit in the collective sector must be expected. As a result of the increase in the value of the guilder there will be little improvement in the poor competitive position on the international market. Moreover, although the labour income ratio will drop it is still at a high level and many sectors of private entirprise will continue to be in a vulnerable position.

Netherlands: Basic Data 1974-1977

	1974	1975	1976	1977
	Percentage changes as compared with previous year			
Assumptions—External data				
Volume of world imports (re-weighed)	4	—2	12	7
Import price level (in guilders)	35	4	6	4
Competitive export price level (in guilders)	19	7	5.5	3
Wage costs per unit product in manufacturing industry in other countries (in guilders)	10.5	17	2	2
Effective exchange rate of the guilder vis-a-vis competitors on foreign markets	6	2.5	1.5	5
vis-a-vis suppliers	4.5	2	1	3
Other Assumptions				
Transfers by the publicer sector (gross)	15.5	22.5	26	11.5
Value of material government consumption	18.5	15	20	7
Value of government investments	5.5	14	12.5	4.5
Volume of investments in housing	—13	—7	2.5	12.5
Reduction in working hours (excl. overtime)	2	2	1.5	0.5
Liquidity quota (final)	38.5	37	40	39
Results				
Volume of private consumption	2.5	3	4	3.5
Volume of gross investments by enterprises (excl. housing)	0.5	—4.5	—6.5	8
Volume of material government spending	—3.5	4	7.5	—1
(of which investments)	(—6)	(4)	(3.5)	(—3)
Volume of goods exported	3	—5	12	6
Volume of goods imported	—1	—5	12	6
Volume of gross national product	2.5	—2	4	4.5
Volume of production by enterprises	2.5	—1.5	4 to 4.5	4.5
Price level of private consumption	10	10.5	9	6.5
Price index of consumption by households (employees' families)	9.5	10	8.5 to 9	6
Price level of goods exported	28.5	5	6.5	4

MOVING FINGER

The Home minister's statement in the Lok Sabha on June 24 that the present government was firmly resolved to bring to book those who were responsible for the excesses and misuse of authority during the emergency, "from the highest political authority to the lowest functionary", is reassuring. Mr Charan Singh also said that the government wanted to make sure that future prime ministers do not behave in the manner the former Congress party prime minister had done. All the same the suspicion must remain that the Janata leaders will not be altogether unhappy if it so transpires that they do not in fact have to take Mrs Gandhi to court. The Home minister himself may be enthusiastic about destroying the Nehru legend, but his attitude towards the individual under whom that legend reached its apotheosis is clearly far less violent. This redounds to his credit, but it leaves a raging red question mark hanging over the national political scene. Perhaps it might work out nicely for all concerned if Mrs Gandhi were to leave the country. It will not be difficult for her to find political asylum somewhere. She should have made many useful friendships abroad, surely, during her father's prime ministership and her own. If she elects to depart from the Indian scene, she may find that the hurdles may not be too obstructive. If Mr Subramaniam Swamy could make a clandestine exit from the country during the emergency, the exploit need not be beyond the resources of a former prime minister of India, especially in these more relaxed days. I have no doubt at all that a relieved government of India will be only too willing to look the other way.

While I have a measure of admiration for Mr Charan Singh strictly as a Home minister, I am afraid, I cannot take him seriously when he talks or tries to act as if all economic wisdom is to be found under a Gandhi cap; he wears one, but Gandhiji himself did not. His animus against organised industry could be laughed away, but for the fact that, placed as he is, his obscurantism in matters economic could create new problems and difficulties for the national economy.

Curiously enough, the other man who sought to freeze the output of organised industry was Mahalanobis. He advanced this prescription only for the consumer goods sector where he advocated an expanding role for decentralised production by small-scale and village industries. He, however, favoured massive investment in heavy industry for he expected this sector to provide impetus to the economy for a take-off. Mr Charan Singh of course regards heavy industry as he would the Devil and all his works if he (i.e., Mr Charan Singh) were the Mother Superior of a cloistered convent. All the same, I would consider Mahalanobis and Mr Charan Singh as "sisters under the skin." Extremes often have an endearing way of meeting.

Mrs Gandhi and her caucus tried to destroy the credibility of our political system by resorting to force and fraud—but they happily failed. However, it may well be given to Mr Raj Narain to succeed, with his tomfoolery and tomcat vulgarity. I have heard it said that the Janata party leadership, particularly the leaders who have become or who hope to become ministers at the centre or the states, feel that they owe it all to Mr Raj Narain who started the fun by winning his election petition against Mrs Gandhi in the Allahabad High Court.

Gratitude is rare anywhere and all the more so in politics. I should not therefore make light of it. But, even the most virtuous of virtues should not be indulged in too much, since all over-indulgence is a negation of virtue. Seriously, the Janata leadership ought to bring to order Mr Raj Narain's behaviour in public, particularly in parliament, if it is serious about preserving the elementary decency of human relationships in our political community. Let Mr Raj Narain have as strong views as he likes on as many subjects as he likes, but so long as the Janata party wants to have him as a minister, the least that it owes to the people of this country is to ensure that he does not generate avoidable illwill and emotional tensions in our polyglot polity.

Right now there is much talk of the Janata party winning the trust of the people in the southern states by electing a public man from the south to the office of the President of India. It would be naive to overrate the appeal of such gestures. What is needed is basic civilised behaviour among politicians whenever divisive controversies have to be handled with a view to their constructive resolution. Mr Raj Narain may recite the Ramayana until his voice becomes hoarse, but he can lay no claim to culture, whether in its *Bharatiya* version or any other, so long as the observations he insists on making from the treasury benches have to be expunged from the records of parliamentary proceedings day after day.

Striking the pose of childlike innocence in Lok Sabha the other day Mr T.A. Pai wondered why treasury benches should hesitate to profit from the lessons of the mistakes of the previous government. If he keeps up the intensity and versatility of his retrospective exposure of the misdeeds and misdemeanours of the Congress rule of which he was an active participant, Mr Pai may yet go down in history with a notoriety second only to that of Titus Oates of infamous memory. The informant is the most unattractive character in any crime drama and Mr Pai only exposes himself to contempt when he denounces in so much ersatz fashion even those policies or decisions of the previous government either directly within his jurisdiction or bearing on his functioning as a minister. If, for instance, Mr Pai was so strongly opposed to a multiplicity of official trading or trade promotion agencies how seriously did he try to make his objections stick? The former Commerce minister is a political corpse now. Mr Pai may therefore spare himself the trouble of sticking a knife into the back of the professor.

VB

Wages of organised labour

The Real Wages of Industrial Labour in India: B.K. Madan; Management Development Institute, New Delhi; Pp 64; Price Rs 13.

Capital Budgeting in India: L.S. Porwal; Sultan Chand and Sons, New Delhi; Pp 95; Price Rs 30.

Technology and Economic Interdependence: Harry G. Johnson; The Macmillan Press Ltd; Pp 187; Price £3.95 net.

Multinational Firms: S. Shiva Ramu; Sultan Chand and Sons, New Delhi; Pp 95; Price Rs 30.

Macmillan Studies in Economics—Monetary Policy: Douglas Fisher; The Macmillan Press Ltd; Pp 91; Price £ 1.95 net.

Indian Economic Thought—Nineteenth Century Perspectives: B.N. Ganguli; Tata McGraw-Hill Publishing Co Ltd; Pp 283; Price Rs 21.

Reviewed by **Academicus**

ALONG WITH the growth of the national product aimed at in India's five-year Plans, much attention is now being given to an enquiry into its distribution among the various classes of people. This is quite natural since every section of the community wants to have what it considers to be its legitimate share of national wealth. Findings of the (Mahalanobis) Committee on Distribution of Income and Levels of Living set up on the eve of the third five-year Plan has sharpened the interest in the distributive aspects of national income.

B.K. Madan (a member of the Mahalanobis committee) got himself involved in the issue of how and how well industrial workers—one of the most important economic classes—had in fact been rewarded, both absolutely and relatively to the reward of other productive factors for the period of approximately two decades of India's planned economic development. *The Real Wages of Industrial Labour in India* embodies the findings of that enquiry. The problem is very important both because of its potential political explosiveness and also because of the general assumption that certain classes including organised workers in India have been faring badly during all the years of planned economic development of the country. What have been the findings of the author?

According to the 1971 census, the number of workers in organised industry and services was 10.72 million and accounted for about six per cent of the total labour in the country. Though small numerically, workers in organised industry are an important section of the community. They are well organised. They are the pace-setters in a number of directions —as much in improvement of the efficiency and productivity of the economy as in setting standards for the economic rewards of the employed population. The treatment of the industrial workers has also a direct bearing on the state of industrial relations in the country.

BOOKS BRIEFLY

This study is based on comprehensive data derived from the Annual Survey of Industries (ASI) and its predecessor—the Census of Indian Manufactures (CMI) relating to the earning of all workers. The author has also tried to probe into the relationship of wages to value-added-by-manufacture (VAM), a subject which has attracted considerable attention in recent years. He has also made an attempt to probe into the relationship between the trends in wages and trends in productivity in Indian industries.

The period up to 1955 was one of comparative price stability and therefore one of the best periods from the point of view of improvement of real earnings of all workers, there having occurred an advance in their earnings of about 20 per cent in a span of four years. According to the author, the increase resulted almost equally from a moderate rise in money earnings and decline in consumer prices. This period was more or less matched, from the point of view of improvement of workers' real earnings by periods from 1959 to 1963 and from 1967 to 1970 which were also characterised by moderate price increases. On the other hand the periods 1956-59 and 1963-67 witnessed the co-existing phenomenon of rising prices and falling real earnings of industrial workers.

notable finding

The most notable finding of the study is that the analysis based on the available data has helped to explode the myth regarding the static or declining real wages of organised labour in India. According to the author, this myth came to be reared because the findings so far had come to be based on old and out-of-date statistics collected at the time the Payment of Wages Act was passed in 1936. Even the National Commission on Labour seems to have relied mainly on that out-of-date statistical data which only helped to confirm the myth that "organised industrial labour missed sharing the benefits of planned economic development." Heavy reliance on statistics subject to serious limitations was the cause of all this.

According to the author, the picture of "a gradual, though uneven, rise in the real wages of organised industrial labour over the period of the Plans emerges as the central conclusion of the analysis of the study." In view of the fact that the ghost of static or declining real wages has continued to stalk the parlours of labour relations discussions and apparently to confuse some of the important issues of policy over a long period, this study has set out the basis of revision of some long held beliefs. An incidental result should be to dispell the pall of gloom that has come to settle on the outcome of our planned

effort in relation to the crucial sector of organised industrial labour.

As regards share of workers' earnings in value-added-by-manufacture (VAM), the study has revealed a gradual decline in the share of workers (i.e. wages) in VAM. However the author has made it clear that this trend does not reflect a decline in the real earnings of workers which increased by at least as much as per capita national income and possibly a little more. It reflected a greater increase—relative as well as absolute—in the quantitative input of other factors of production, in particular of capital and technical and supervisory personnel. The rate of reward of these other factors however did not grow at a faster rate than that of workers during the period of study.

As regards the correlation between the growth of productivity and increase in real earnings of workers, the real earnings of workers are seen to be responsive to the pace of expansion of the volume of industrial production and to a lesser extent of employment itself.

downward trend

The author on the basis of his study has concluded that the country is likely to have emerged out of downward turn in the cycle of real earnings of workers and is likely to experience an increase in per capita real income in years to come. The author also hopes that "unlike in the past when each successive short run of good luck led to relapse into complacency and associated laxity of policies, deliberate and determined management of the Indian economy for stable and orderly development could make for a steadier economic out-turn and prospect."

This is a scholarly study by a serious student of economics in whose objectivity and dispassionate treatment of the subject one can fully believe. Unless statistics lie, the author's conclusions are incontrovertible. His conclusions regarding real earnings of organised workers should shatter the myth built on faulty statistical data or by interested economists and politicians. The conclusions have important policy implications for the future which from the point of organised workers does not appear as bleak as has been painted all these years.

CAPITAL BUDGETING

A business firm has got to be forward-looking, if it wants to ensure profitability and steady growth in years to come. This requires planning based on sound principles, policies and procedures. Capital budgeting is one of the major instruments to achieve the important objectives of profitability and growth of a business concern.

L.S. Porwal, was provoked to write his book, *Capital Budgeting in India* because he found that even large business firms in India were not using the technique of capital budgeting but were following only the rule-of thumb method in making capital expenditure decisions, and that there were hardly any studies on the subject of capital budgeting in India.

The primary objective of this study is to give an insight into the current practices with regard to capital expenditure decision-making in large industrial concerns in India. Specifically the study aims at finding out answers to questions such as: How many years ahead do the firms plan? At what level do the capital expenditure proposals originate and are screened? What are the sources of financing these projects? How are inter-departmental conflicts regarding capital allotment resolved? How is the control on capital investment projects exercised? What are the capital budgeting procedures?

The author selected 118 companies for study. They belonged to basic industries, capital and intermediate goods industries and consumer goods industries (both durable and non-durable). Of these, 52 companies (i.e. 44 per cent of the companies) provided the required information. The study can therefore be taken to cover a fairly representative field for investigation.

The author found that the most favoured objectives in the case of large companies in India were: (i) maximising per cent return on investments in assets, and (ii) maximising aggregate earnings. According to the author, the much advocated objective of the theory of financial management, namely maximising wealth of shareholders, does not find favour yet with the Indian companies. It is found that Indian executives seem to favour such objectives as can be translated into explicitly measurable terms.

It is found that large companies in India plan for a period of two to five years. They are gradually becoming planning-conscious. However, unprecedented price rise and shortage of inputs like power and raw materials (experienced in early 1970s) have made come of the companies lose faith in planning.

Most of the original and first screening of proposals in the case of new product lines is done at the central office level, while in case of existing product lines, it is mostly done at the plant level. But the ultimate power of accepting or rejecting any proposal in this regard rests with the board of directors. What is satisfying is that during the last ten years or so, in the case of large companies in India, rule-of-thumb practices in respect of capital budgeting is gradually but surely giving place to a detailed analysis of capital expenditure proposals with the help of better techniques before finally accepting or rejecting any proposals in this regard.

evaluation techniques

It was found that only around 44 per cent responses among those ranked first showed preference for 'Discounted Cash Flow' (DCF) technique. Most firms however were using a combination of traditional and modern evaluation techniques of capital expenditure proposals. The 'Internal Rate of Return' (IRR) technique is however favoured in case of new product lines, while as in the case of existing product lines, it was seen that firms favoured 'Accounting Rate of Return' (ARR) technique. Many respondents mentioned that existence of sellers' market in many products, too many government restrictions uncertainty in making estimates owing to so many assumptions and unprecedented rise in prices were the reasons for many firms not using DCF technique in India.

Shortage of liquid funds, obsolescence due to rapid technological developments, easy to calculate and easy to explain to top management were the main reasons

for 'Pay Back Method' still being popular with Indian firms. Community relations and shareholder relations are practically given no consideration by Indian firms while taking decisions in capital expenditure.

Firms with low profitability were found to favour the weighted average cost of capital method for determining the cut-off point. On the other hand high profitability companies seem to prefer cost of funds used to finance expenditure more than the weighted average cost of capital, presumably because it is easy for such companies to arrange funds (either their own or borrowed) to finance capital expenditure proposals as and when need arises. The author has concluded that size of firms does not bear any significant relationship with theoretically correct method in India.

sources of funds

As regards sources of funds, the author found that profitability and sources of funds do not seem to be related in India. The sources of funds for both the low and high profitability companies are more or less similar. Also, the author found it difficult to establish any relationship between the size of a company and sources of funds. Existing product lines mostly financed through internal resources and new lines of products almost equally through internal and external resources in India. Most companies were found to depend upon a combination of sources of funds. Term loans being the cheapest source of external funds in India have recently become very popular, especially in view of the ceiling on dividends on shares and other restrictions placed by the government some time back. The author found that generally speaking funds are no constraint for most of the companies in India. For them capital rationing is not much of a problem. The only limit is government restrictions of various types.

Two-thirds of large companies under study were seem to be using post-audit as a method of control on capital expenditure. But, according to the author, the quality of post-audit needs considerable improvement.

The study has revealed considerable gap between available theory on capital budgeting and the prevailing practices in this regard among Indian firms. In order to narrow down the gap, the author has suggested closer contacts between academicians and business executives.

The study obviously suffers from certain limitations. In the questionnaire-method followed by the author, respondents are likely to answer some of the questions according to their own understanding of them, whereas a large amount of subjectivity creeps in especially in the type of questions requiring personal opinions. Further, the study was conducted in 1973-74 when inflation was practically at its peak in India. There were also extreme shortages then of raw materials and power and credit squeeze was in operation. All these factors taken together must have biased the opinions expressed by at least some respondents.

With all these limitations, the conclusions of the study may be taken to indicate the broad trends in the sphere of capital budgeting in India. Though this study by L.S. Porwal has most of the defects of pioneering attempt, is still represents a valuable contribution in the field of capital budgeting which is bound to attract in future greater and greater attention of scholars and business executives in India.

ADVANCED TECHNOLOGY

Faith in technology and government support and promotion of technological development remain distinguishing characteristics of contemporary political life and economic policy of most of the countries. This is so in spite of growing disillusionment with the excessive claims of science and technology to possess "the key to painless economic and social improvement" and awareness of heavy social costs in the shape of deteriorating quality of life which people have to suffer to attain increasing affluence based on high level technology.

Technology and Economic Interdependence is concerned with just one aspect of contemporary concern about technology namely the international aspect as it influences government beliefs and policies with respect to international trade and investment. This aspect has become very important especially because of the increasing operations of multinational enterprises in various developed and developing countries. The author has discussed various aspects of the question such as the economic problems of science policy, the role of technology as a factor in international trade, the issues raised by direct foreign investment, the potential role of the multinational enterprises in economic development, the economics of brain drain and economic issues involved in recent controversy over the conflict between technology and environment.

political myth

The author begins by explaining the meaning of technology and its role in man's evolution from "a beast surviving in small numbers thinly spread and in fierce competition with stronger and faster predators, to become undisputed master of the planet." Technology is no new ultra-modern invention in which the Americans have somehow obtained an unfair degree of leadership which other nations must challenge. Unfortunately this sort of belief has strongly come to be fostered because of chagrin over loss of world power by erstwhile European powers, identifying American dominance with the application of technology to produce vast wealth of the United States, and the political myth that a country can painlessly transcend the facts of its life by single determined act of inventive magic.

The author has dealt with some aspects of science policy and particularly with the case for public support of basic research. One of the major themes is that "the national pay-off from basic research in terms of subsequent development of profitable technology derived from it, is tenuous in the extreme." The justification for public support of basic research may be that there might be more economic benefit derived from it than has so far been proven.

Concerning the main subject of international aspects of technology, the author has given exposition of economic theories of international trade that focus, on the one hand, on technological basis and, on the other hand, on low labour costs as foundations for difference in comparative advantage and the development of profit-

(Over to page 30)

This is only an Announcement and not a Prospectus.

ANNOUNCEMENT REGARDING THE PUBLIC ISSUE OF 2,00,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH

Applications have been made to Stock Exchanges at Calcutta, Delhi and Bombay for permission to deal in and for Company as also the Equity Shares being issued under the Prospectus.

HISTORY AND BUSINESS OF THE COMPANY:

Incorporation

The Company was incorporated in West Bengal on 2nd April, 1947, as a private limited company and has since been carrying on business. The Company became a public company on 15th March, 1962, by virtue of Section 43A of the Companies Act. Subsequently, pursuant to a special resolution passed on 27th February, 1976 at the Extraordinary General Meeting, the Articles of Association of the Company were altered and consequently the Company became a public company within the meaning of Section 3(1)(iv) of the Companies Act.

Business of the Company

The principal business of the Company at present includes the manufacture and sale of printing inks and printers' sundries. The Company is also engaged in the manufacture of synthetic resins for captive consumption. From a modest beginning in 1947, the Company has now become the leading manufacturer of printing inks in the country and the Company's growth can largely be attributed to its quality products.

Location of Factories

The Company has well-equipped factories at Transport Depot Road, Taratola, Calcutta and at Chandivali Farm, Bombay. The Company also has factories and branch offices at New Delhi and Madras.

NON-RESIDENT INTEREST:

The Company originally was a wholly-owned subsidiary of Coates Brothers & Company Limited, London, U.K. (U.K. Company) which has a world-wide reputation in the manufacture of printing inks, printers' sundries and synthetic resins and other surface coating materials. In March 1962, the shareholding of the U.K. Company was reduced to 66 2/3% by issue of further shares to Indian residents. The Non-Resident Interest in the Company is being reduced to 40% by private disinvestment by the U.K. Company and by making the present Public Issue.

RESEARCH AND DEVELOPMENT:

The Company has well-equipped Research and Development Laboratories situated in the premises of its Calcutta and Bombay factories. The laboratories are managed by fully qualified people inclusive of about 36 highly skilled technicians. Research and development activities of the Company have been highly successful in the area of import substitution and in generally improving the quality of its products.

In its research and development activities, the U.K. Company has been, with its expert technical advice and guidance, continuously assisting the Company to keep itself abreast of the latest developments in modern technology.

FINANCIAL HIGHLIGHTS:

The Company's sales, profits and dividends for the last five years ended on 31st October, 1976, in accordance with the audited accounts, are as follows:-

Year ending October 31	Sales (Rs. lacs)	Profit before tax (Rs. lacs)	Profit after tax (Rs. lacs)	Dividend (Rs. lacs)	Dividend Per cent
1972	380.66	52.51	13.87	9.02	25
1973	421.38	45.65	11.75	7.94	22
1974	617.35	123.80	25.98	4.33	12*
1975	606.10	38.41	12.88	8.66	12
1976	585.78	51.60	17.33	10.83	15

* The payment of dividend was restricted under the Companies (Temporary Restrictions on Dividends) Act, 1974.

The Company issued and allotted 3,60,918 Equity Shares of Rs. 10/- each by way of fully paid-up Bonus Shares on 25th April 1975.

MANAGEMENT AND STAFF:

The Board of Directors of the Company consists of persons who have considerable experience in industry, finance and management. Mr. S.B. Aibara, Vice-Chairman of I.T.C. Limited, is the Chairman of the Company

Subject to the superintendence, control and direction of the Board of Directors, the Company is managed by Mr. S.K. Malkani, the Managing Director, supported by experienced and well-qualified executives. The affairs of the Company are under professional management.

FUTURE PROSPECTS:

Taking into account the growth in demand for the Company's products during the past five years as a whole and having regard to the expected improvement in the living standards and literacy rate in the country in the future, the Directors are hopeful of a continued growth in demand for the Company's products.

The Directors of the Company consider that, in the absence of unforeseen circumstances, the Company's sales and profits are expected to increase at a satisfactory level in the years to come. Moreover, the tax concession that would be derived on account of enlistment of the shares on the Stock Exchanges will also contribute subtantially towards the net profit of the Company.

In view of the above and barring unforeseen circumstances, the Directors feel that the Company will be in a position to pay reasonable dividends.

BOARD OF DIRECTORS:

Name and address

SORAB BARJOR AIBARA (Son of Barjor Behramsha Aibara),
10, Ballygunge Park Road, Calcutta 700 019.
Chairman.

JOHN BERNARD MAURICE COATES (Son of Charles Maurice Coates)
Pennington Chase, Lymington, Hampshire, England.

HIRANENDU GUPTA, (Son of late Saratendu Gupta),
368/7, Parnasree Pally, Behala, Calcutta 700 060.

BABULAL MADHAVJI VARMA, (Son of late Madhavji K. Varma).
"Meghdoot", 12, Rowland Road, Calcutta 700 040.

RAMESH CHANDER SARIN, (Son of late A.R. Sarin).
8, Ballygunge Park Road, Calcutta 700 019.

SAHIB KOTUMAL MALKANI (Son of late Kotumal D. Malkani),
Flat 54, Block B, Tivoli Court, Calcutta 700 019.
Managing Director.

DALJIT SINGH (Son of late Sardar Kartar Singh),
"Aakash Deep", Flat 4, Floor 2, 5, Lower Rawdon Street, Calcutta 700 020.
Director—Sales & Commercial.

SHARE CAPITAL:

	Nominal value (in Rs.)
Authorised	
10,00,000 Equity shares of Rs. 10/- each	1,00,00,000
Issued, Subscribed and fully paid up	
7,21,836 Equity Shares of Rs. 10/- each	72,18,360
Present Issue offered for Public Subscription	
2,00,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 6/- per share	20,00,000

APPLICATION AND TERMS OF PAYMENT:

On application Rs. 4 (Rs. 2.50 on capital account and Rs. 1.50 on premium account per share.

On allotment Rs. 4 (Rs. 2.50 on capital account and Rs. 1.50 on premium account) per share.

The balance of Rs. 8 (Rs. 5 on capital account and Rs. 3 on premium account) will be payable in one call not before three months from the date of opening of subscription list for the shares; provided that the entire capital and premium shall be fully paid-up on or before 30th November, 1977.

APPLICATIONS MAY BE MADE ONLY BY INDIAN NATIONALS RESIDENT IN INDIA AND THE APPLICATIONS MUST BE FOR A MINIMUM OF FIFTY SHARES OR MULTIPLES THEREOF.

Issue opens on July 11, 1977

IIUM OF RS. 6/- PER SHARE

sotation for the existing Equity Shares of the

COATES

COATES OF INDIA LIMITED

(Incorporated on 2nd April, 1947, under the Indian Companies Act, 1913)

Registered Office: Transport Depot Road, Taratola, Calcutta 700 027.

S TO THE ISSUE:

Champaklal Devidas, Bhupen Chambers, Dalal Street, Bombay 400 023.
ss Lukhmidass, Stock Exchange Building, 5th Floor,
machar Marg, Bombay 400 023.
i & Co., 24, Stock Exchange Central Building, Dalal Street, Fort,
0 023.
oodas & Co., Stock Exchange Building, Bombay Samachar Marg, Fort
0 023.
y, 45-47, Bank of Maharashtra Building, Bombay Samachar Marg,
0 023.

Bhasin & Co., Jeewan Mansion, 8/4, Desh Bandhu Gupta Road,
110 055.
r & Co., A-6, Connaught Place, New Delhi 110 001.
& Co., 44, Delhi Stock Exchange, Asaf Ali Road, New Delhi 110 001.
r & Co., 48, Stock Exchange Building, Asaf Ali Road, New Delhi 110 002.

7, Lyons Range, Calcutta 700 001.
14, India Exchange Place, Calcutta 700 001.
Place, Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta 700 001.
C. Mackertich, 7, Lyons Range, Calcutta 700 001.
Stewart & Co., 14, India Exchange Place, Calcutta 700 001.
Brijnath Khandelwal & Co., 13, India Exchange Place, Calcutta 700 001.

Ahmedabad

Laxminarayan N. Gupta & Co., Anandji Kalyanji Building, Opp. Dhansuthar's Pole, Relief Road, Ahmedabad 380 001.
Champaklal Bhailal Chokshi, Manek Chowk, Near Share Bazar, Ahmedabad 380 001.

Bangalore

M. Nanjappaiah Jahgirdar, 205, Cavalry Road, Bangalore 560 042.
Vijai & Company, 9, Eleventh Main Road, Malleswaram, Bangalore 560 003.
Jahgirdar & Co., 21, Second Main Road, Seshadripuram, Bangalore 560 020.

Indore

Pushkarlal Ghudawala, 44, Bada Sarafa, Indore 452 002.

Madras

Kothari & Sons, Kothari Buildings, Nungambakkam High Road, Madras 600 034.

Hyderabad

P. B. Afzulpurkar, 4-5-195, Sultan Bazar, Hyderabad 500 001.

VRITERS:

public issue has been fully underwritten as under:-

ddress of vriter	Nominal value of shares underwritten (Rs.)	Amount underwritten at Rs. 16/- per share (Rs.)
TIONS		
Assurance Company Limited, Assurance Building, M.G. Road, 0 023.	4,00,000	6,40,000
surance Company Limited, n Street, Calcutta 700 001.	4,00,000	6,40,000
urance Corporation of India, Assurance Building, Churchgate, 0 020.	2,00,000	3,20,000
Bank Limited, Subhas Road, Calcutta 700 001.	2,00,000	3,20,000
k Limited, y Road, Bangalore 560 025.	2,00,000	3,20,000
S *		
Champaklal Devidas,	50,000	80,000
i & Co.	50,000	80,000
ss Lukhmidass,	50,000	80,000
oodas & Co.	25,000	40,000
y.	50,000	80,000
ons & Gough (Private) Ltd.	50,000	80,000
Co.	25,000	40,000
	25,000	40,000
ich.	25,000	40,000
handelwal & Co.	25,000	40,000
Bhasin & Co.	50,000	80,000
r & Co.	50,000	80,000
ar & Co.	25,000	40,000
& Co.	25,000	40,000
aiah Jahgirdar.	25,000	40,000
mpany.	25,000	40,000
Co.	25,000	40,000
TOTAL	20,00,000	32,00,000

s of the Broker Underwriters have been given under the heading
S TO THE ISSUE.

BANKERS TO THE ISSUE:

Grindlays Bank Ltd.,
29, Netaji Subhas Road, Calcutta 700 001.
American Express International Banking Corporation,
21, Old Court House Street, Calcutta 700 001.
Bank of India,
23A-B, Netaji Subhas Road, Calcutta 700 001.
Vijaya Bank Limited,
25, Netaji Subhas Road, Calcutta 700 001.

Applications will also be received by the branches of the above banks at other places mentioned in the equity application form.

The subscription list will open at the commencement of banking hours on Monday, the eleventh day of July 1977 and will close at the close of banking hours on Thursday, the twenty-first day of July 1977, or earlier, at the discretion of the Board of Directors of the Company, but not before the close of banking hours on Wednesday, the thirteenth day of July 1977.

Application forms alongwith copies of the Prospectus can be obtained from the Underwriters, Managers to the Issue, Brokers and Bankers to the Issue as also from the Registered Office of the Company mentioned hereinabove.

Issue managed by:

GRINDLAYS BANK LIMITED

MERCHANT BANKING DIVISION
270, Dr. Dadabhoy Naoroji Road, Bombay 400 001.

able trade. The essential message of the author has been that "technological leadership is a consequence of economic pushes and pulls that make investment in the development of new technology profitable for the wealthy, high-wage and high-consumption economies, but that the capital which results from the investment is a wasting asset, as a result of various forces leading to the diffusions of technological superiority to lower-cost locations of production."

As regards direct foreign investment and the establishment of production in other countries by subsidiaries and affiliates of companies domiciled in advanced industrial countries, the author has opined that direct investment is only one of a variety of forms which the international diffusion of advanced technology may take. He has also emphasised that the selection of this form rather than the available alternatives is a consequence of the particular technology involved and the aim to maximise profits from the past investment that created the technology. The author has analysed the complaints and fears about the economic behaviour of multinational enterprises and the failure of multinationals to practise non-economic behaviour desired by host country's government.

potential role

The author has also discussed the question of the potential role of the multinational enterprise as an instrument of economic development. He has emphasised the essential point that "the enterprise is a private institution dependent on making profit, not a government with the power to tax to pay the costs of doing good for the deserving." This means there is contradiction in the contemporary attitude of many people towards business in that business is expected both to make profits by being efficient and to forgo its profits in order to be a public benefactor.

Discussing another international aspect of technology namely international migration and circulation of trained people in whom technology is embodied (i.e. brain drain), the author has concluded that "there is *prima facie* case for assuming that the migration is beneficial to the world as a whole if one takes a cosmopolitan, rather than a nationalistic, point of view". The outcry over this issue which reached its crescendo in the 1960s rested on a confusion between "man as a machine and man as a monument." Properly understood "brain drain is akin to international trade in machine tools."

threat of technology

So far as the threat of technology to the natural environment with which man lives in partnership is concerned, it is the same old problem, some expecting boom and bliss from the advance of technology while others forecasting doom and disaster from that advance. The author feels that doomsters have consistently been wrong primarily because they have depicted man as a servant and not the master of his technology, and technology itself as a static element imposing limits on human growth, material and cultural, rather than as a dynamic tool for extending the limits that would otherwise exist. As uses of technologies become more interdependent and interpenetrating, man will have to give up his archaic clinging to the nation-state as his unit of social organisation. Technology which is essentially dynamic will certainly help to solve the environmental problems created by the advancement of technology itself.

In respect of international prospects, the author has opined that while the developing countries will have to voluntarily control population growth (pending ultimate arrival of the stage of development at which procreation is controlled by voluntary choice of number the parents can afford to feed, house and educate with a view to have their own or even better standard of living), until then control over the speed of development of trade based on teconological diffusion may have the effect of contributing more to the raising of living standard and strengthening of automatic economic pressures for development than cut-throat competition among developing countries in exporting technologically advanced products to the developed countries.

The technological advance of the developed countries and the gap in this sphere between the developed and the developing countries may be said to be due mainly to the exploitation by the developed countries of the developing countries from the 16th century onward. This gap is widening mainly because of the reluctance of the developed countries to play their due role in helping developing countries for whose economic backwardness they are mainly responsible. This help as a recompense for the past expoitation will have to be on unilateral basis and not in terms of international trade based on the principle of comparative costs or any manipulation of trade policies, even if possible. Until this is done willingly by the developed countries, the technological gap between the developed and developing countries will go on widening and technology will pose a threat not only to developing countries but to developed countries as well, thanks to the existence of super-power rivalry and policies of maintaining the power balance. As is well-known Harry Johnson still talks mainly in classical terms. From the reading of this compact book written in an extremely terse style, one does not get the impression that he has shown awareness of the deeper forces which are at work among developing countries of the world.

MULTINATIONALS

In order to understand the role that has been played by multinational enterprises during the post-war years and to have an insight into their operations, it is necessary to look into the evolution of multinational firms, the strategies adopted by them, and the changing environment in international politico-economic conditions. S. Shiva Ramu, in his book *Multinational Firms* has concentrated his attention on the strategies of these firms and the environment in which they operate. The author has also discussed the emergence of multinational firms in developing countries.

The author begins by tracing the evolution of multinational firms. For example, in the first place, a domestic firm extends its sale territory beyond the national boundary. This is the first indication that a firm is becoming multinational, though all other areas are still national in character. During the second phase, a multinational firm finds that it is better to establish operating

units nearer to markets in an attempt to minimise its cost of operation and transportation. The third phase in the evolution of a multinational firm is reached when a multinational firm finds that its interest lies in managing money in multinational environment and using advantageously the interest differentials and easy or tight money conditions in different countries. The final stage takes a multinational firm beyond the classical factors of production namely labour, land and capital to management of human capital. This is manifest in selling the know-how or management skills. Here the emphasis is on utilisation of brain to make fortune.

Analysing the business strategy of multinational firms, the author has shown how the goal variables of multinational firms are similar to those of a purely domestic firm. The only difference is that of emphasis on expansion instead of on sales but within the same constraint of achieving maximum profit. The global planning enables a multinational firm to analyse competitive opportunities available and their relative contribution to overall strategy. Naturally formulation of strategy by an multinational firm requires effective screening of all the alternative opportunities.

evaluation criteria

As regards financial management, according to the author, the first problem is the evaluation criteria of investment opportunities and the allocation of available funds. A multinational firm can adopt either DCF or NPV method of determining investment profitability. (The DCF rate is determined at a point where the cash inflow and outflow are equal to zero. The rate at which it is discounted is called DCF rate of return. In NPV method, the rate of discount is assumed usually at the cost of capital. All cash flows giving positive values are accepted.) The second aspect is cash management wherein it is shown how a multinational firm can try to achieve its objective of maximising earnings by taking advantage of interest differentials in different countries. The third aspect of financial management comprises actions taken by a multinational firm in guarding both invested capital and cashflow.

As to product-market strategy, the author has indicated that the pure strategy of a multinational firm in product-market is to try to penetrate as many markets as possible, given the stages of product development and market acceptance. But in due course it may be advantageous to locate production units in foreign countries and export from the erstwhile importing countries.

management strategy

As far as management strategy is concerned, the author has indicated that as the spin-outs become multiple, the parent company tries to co-ordinate its activities under a specialised division. This may take several forms such as those based on different activities or on different areas of operation. As regards recruitment of personnel, a multinational firm may have many alternatives depending upon top management personnel, how they recruit, train and promote within the parent organisation, and between parent organisation and subsidiaries. The attitude may vary from ethnocentric to geocentric. Though some multinational firms are trying to adopt geocentric attitude, it may still take a long time before a multinational firm becomes truly multinational in its personnel.

The author has analysed the nature of genesis and the changing pattern of multinational firms in different environments. In developed market economies, the aggressive strategies of US firms are of the nature of operating in several countries but with the ownership concentrated in the country of origin. But slowly the process of decentralisation and integration is under way. For example, Royal Dutch/Shell and Unilever have bi-national ownership.

The author has also pointed out that socialist countries are in no way far behind developed market economies in the formation of multinational firms. They have been experimenting with joint investment, joint enterprises, multinational enterprises and international associations. What is more remarkable, there is also a move towards closer relationship between East and West through efforts of multinational firms. The specialisation, exchanges of technology and economies of scale are taken advantage of, irrespective of socio-political set-up of different countries.

Multinational firms are an important phenonmenon that has appeared on the horizon during the post-war years. A number of books are therefore being written on the subject some of which are already reviewed in these columns. But most of the books were essentially descriptive. On the other hand, this book is analytical dealing with various techniques and procedures followed by multinational companies. While the author has given us some idea about the various techniques employed by multinational firms, the analysis is rather in general terms and does not go deep enough. This may be no fault of the author because the multinational firms camouflage their accounts and procedures which they are reluctant to reveal. And yet the book does give in a nutshell the strategies employed by these firms.

It is strange but true that during the post-war days of intense nationalism, multinational firms should come to dominate the business scene. Their functioning will have to be carefully watched, if they are not to bring more harm than good to the host country. A deep study therefore of all the aspects of multinational firms is called for, especially in developing countries, to safeguard their political and economic interests. This book will certainly serve well as an introduction to the subject.

STUDIES IN ECONOMICS

According to the general editors of the 'Macmillan Studies in Economics', rapid growth of academic literature in the field of economics has been posing serious problems both for students and teachers. As regards students, "they quickly lose perspective as the maze of theories and models grow whereas teachers find it difficult to keep pace with the rapidly growing literature." The *Macmillan Studies in Economics—Monetary Policy* aims at offering students and possibly teachers also, "reasonably critical overviews of development in selected areas of economics particularly those in which current controversies are to be found." The idea behind the series, according to

the general editors, is "to give a kind of perspective that might well be lost by reading longer textbooks on their own, or by reading articles in journals."

The first problem that arises in the conduct of monetary policy is to have a clear view of the objectives of such a policy. These objectives (which the author calls 'values' or 'ranges of values of certain key variables' such as full employment, rapid economic growth, stable capital market, price stability, etc.) are not always definite, frequently change, are sometimes inappropriate and generally not achievable all at once. Defining these objectives clearly poses many problems as that depends upon subjective valuation of different objectives and their priorities. There is then the conflict among various objectives which must be solved by arriving at an appropriate marginal rate of substitution. This is a rather difficult process and involves a great element of arbitrariness.

The second difficulty is that the monetary authorities have severe problems with the instruments with which they are going to execute monetary policy, once the objectives are clearly determined. Most of these instruments (such as the Bank Rate, open market operations, variable reserve ratio, etc.) are sometimes clumsy, often inappropriate, occasionally 'noisy' and, too often, inefficient in their operation.

The third problem which the policy-makers face is that the authorities possess neither a perfect model of the economy nor perfectly accurate data to base their policy on, with the result that they must grope their way to, at best, short-run solution to their problems.

uncertainty in policy

The author has drawn attention to uncertainty and lag-in-effect of monetary policy. While the question of various types of instability concern all aspects of the monetary policy problems, there is one special case which has been dominating the discussion. Any policy must be formulated in partial ignorance of the actual working of the economy, a state which must exist because events follow causes only after some lags. The lags which the author has in mind are endemic to the macro-economic policy world. In the first instance, the authorities will receive information about the objective variables some time after the event (an information lag), will pass it though their decision-making process apparatus (a decision lag), and will act on it only after some time (an action lag). As a consequence of these lags, a number of problems immediately arise. It should be clear that longer one waits for information, better the information is likely to be. But this will mean that total lag (total of all the three lags mentioned above) will be longer and this might make the entire monetary policy wrong. Wrongness, here means "too much, too little, or a movement in the wrong direction." The author has also drawn attention to the fact that different instruments such as the Bank rate, open market operations, etc. will have different lags making the whole problem of effective execution of monetary policy extremely difficult.

periodic crises

Analysing the international setting of monetary policy, the author has emphasised that the problems which countries face depend upon payments system adopted. International events have always been significant for the United Kingdom. There is little doubt that the periodic crises of 1960s in the United Kingdom were mainly due to the over-valued currency. The author has emphasised that any generalisation which leads in the international monetary field to policy prescriptions has to be reworked in terms of what is likely to happen to the country's payments system and payments position.

From the gist of this book given above, it should be obvious that the general editors' claim that the 'Macmillan Studies in Economics' proposes to offer "reasonably critical overviews of developments in selected areas of economics" cannot be said to be a valid one. Douglas Fisher has certainly not offered a critical overview of 'Monetary Policy'. The book contains only some stray thoughts, some important and others not so important, on the subject. It should have been realised by the general editors that any attempt to give an overview of the subject like monetary theory in 82 pages is foolhardy. Clarity has been sacrificed for brevity and one has to read not only between lines but beyond them. The bibliography refers to as many as 114 books and articles acquaintance with which is assumed before reading the book. The analysis is disjointed and mostly sketchy. The title 'Monetary Theory' is thoroughly misleading. Proper title would have been 'A Few Thoughts on Monetary Policy'. The book is wholly disappointing and students in developing countries will find it much more so as there is not a single reference to the role of monetary policy in developing countries.

ECONOMIC THOUGHT

It is strange but true that while undergraduate and post-graduate students of Indian universities have to study western economists from classicists like Adam Smith to neo-classicists like Alfred Marshall, they do not have even a nodding acquaintance with economic ideas of early Indian national leaders. It is still more strange that this state of affairs should continue till this day. The Indian Economic Association therefore decided in 1973 that there is need to fill this rather serious gap in economics education and training in the country. To provide a sort of standard work on the subject, Dr B.N. Ganguli was invited to produce the first volume in the series—economic thinking and analysis as it developed from Raja Rammohun Roy to Gandhi. Dr B.N. Ganguli's love for the subject and his efforts have resulted in the production of *Indian Economic Thought—Nineteenth Century Perspective* which has been made available to the students of the subject at a comparatively cheap price of Rs 21 due to the subsidy offered by the Indian Council of Social Science Research.

The historical survey presented in this book actually begins roughly from 175 onwards. There followed Great Britain's industrial dominance in the middle of the 19th century, Great Britain then producing about two-thirds of the world's coal, about half its iron, five-seventh of its supply of steel, about half of such cotton cloth as was produced on a commercial scale, and forty per cent (in value) of its hardware. John Stuart Mill and Jerem

ntham who arose in England soon
er the industrial revolution due to the
ead of democratic ideas and institutions
re, exercised considerable influence on
first generation of Indian national
ders. They naturally receive consider-
le attention in the book. There is
erence to J.S. Mill's liberal humani-
ianism and his reformist zeal for the
liftment of backward communities in
tropics.

The intellectual class in India is aware
Raja Rammohun Roy as a social
former, but not many are aware of his
ntribution to Indian economic thinking.
was he who first formulated the 'Drain
eory' which has come down to us
rough Dadabhai Naoroji and Gandhi.
mmohun Roy's treatment of the theme
colonianism was marked by sober
lism. He was ready to welcome the
ocess of economic modernism. The
esence of Europeans, according to him,
uld hasten the process of improvement
the laws and judicial system and bring
out their adaptation to a progressive
ciety and economy. Roy wrote: "Provi-
d India was governed in a liberal
nner, there was no reason why Indians
d Europeans, bound by common
erests, could not establish a solid and
rmanent connection. But Roy was also
enly aware of the dangers of unlimited
onialism which he wanted to be limited
controlling European immigrants and
providing for trial by jury.

cultivator's condition

Rammohun Roy felt that whatever the
stem of land tenure, the condition of
cultivators had become miserable. He
ggested a radical plan of land reforms.
hile Roy favoured freedom of economic
erprise and of trade, his deep concern
the rural poor prevented him from
ng a doctrinaire free trader in respect
export of foodgrains from India.

The writings of Rammohun Roy
ablished a link between the unbalanced
dian economy and the deepening
aracter of the povery of its people
ding on to a theory of what Ganguli
ls rural communitarianism, making the
age, its agriculture and industrial
suits central to the country's develop-
nt. The related analysis of the vicious
circle (later termed as low level equilibrium trap) came to be expounded by G.V. Joshi who unfortunately has never got his due place in the historical writings of most Indian scholars. G.V. Joshi traced to the exploitative economic arrangements and social relations this condition of vicious circle of Indian economy.

Arising from this analysis was Dadabhai Naoroji's concept of the economic drain with "its mathematical formulation—the first application of mathematics to economic analysis in India." Dadabhai's reference to 'two Indias', 'the two separate worlds that existed in the same country' will be found to be an appropriate description of India even of the present day. Dadabhai's views on foreign capital, on currency problem, on economic drain and on national and per capita income would indicate both his vision as an Indian and his objective and analytical scholarship during days when the British rule over India had come to be regarded as an act of providence.

We meet here R.C. Dutt who outlined a theory of balanced industrial growth alongside a system of viable peasant proprietorship and assured tenancies. R.C. Dutt's adumberation of a theory of the economics of imperialism, his view on India's public finance and public debt financing of imperialist wars, the enforced decay of Indian industries and handicrafts through the exise duty on Indian cotton textiles as against the free entry of Lancashire cloth, excesive land tax resulting in periodic famines and a per capita income of £2 against that of £42 for Great Britain and £48 for Canada all indicate his broad historical sweep and attachment to empirical methodology.

Parallel emerged M.G. Ranade's thesis of industrialisation as basic to India's

FICCI AWARDS 1977

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  - Agriculture,
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  - Industrial Relations, &
  - Research in Science and Technology;
- Individual scientists/technologists for three cash awards of Rs. 10,000/- each for excellence and outstanding contributions to R & D in
  - Life Sciences, including Agriculture,
  - Physical Sciences, including Mathematics, &
  - Technology with particular reference to its interaction with Industry; &
- Women Entrepreneur/Executive

AUDIO VISUAL

The last date for making nominations is Monday, the 19th September, 1977. For further details, please write to :-

The Secretary-General,
FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY,
Federation House, Tansen Marg,
New Delhi-110001.

truggle against mass poverty in contrast o the ongoing de-industrialisation process t work—an industrialisation linked essenally to the processing of agricultural roducts that needed to be aided, nurtured nd supported by various forms of state id and incentives. Ranade was of nassive intellectual ability and great ision. He was the intellectural mentor nd moulded the economic thinking of oth G.V. Joshi and Gopal Krishana Gokhale, among many others. Ranade ad a sense of history that enabled him to levelop an insight into Indian economic roblems in the perspective of the country's past as seen in relation to its contemporary plight and the possibilities of its uture development.

building a tradition

G.K. Gokhale came in the direct line of a tradition of economic thinking established by Dadabhai Naoroji, G.V. Joshi and M.G. Ranade whose disciple he was. Gokhale was trained into this tradition by Ranade and Joshi and he built upon the foundation of their thinking, developing a perspective of his own on the basis of which he was able to forge a link between the older generation of nationalists and the new generation growing at the turn of the century. Ranade, Dadabhai and Gokhale were to build a tradition of thought and of public service which was widely respected in the country and which set an example for others.

Gokhale's views on cotton excise duties, on swadeshi, general welfare, concept of welfare state, on agricultural indebtedness, development of 'social services' and on public finance which was his forte all show his love of logic, ability of objective analysis, scrupulous regard for those who held contrary views and a firm belief in the primacy of rational persuasion and moral values. The manner in which Gokhale analysed the above problems had a surprisingly modern character. He acted as a bridge between the 19th century economic thinking and economic thought as it developed in the present century. According to the author, though Gandhi and Nehru were great innovators, both of them may be viewed in the continuity of a tradition of thought whose foundations were laid down by Dadabhai, Ranade, Dutt, Joshi and Gokhale.

The last chapter on the political economy in the world of Gandhi and Nehru is possibly the finest chapter in the book. While both were great innovators, both, according to the author, had their links with the past. Gandhi's views on internal and external drain, swadeshi, khadi, economic wastes, on machinery, principle of trusteeship, panchayati raj, land tenure, industrialisation, on cottage and small-scale industries and economic self-reliance all show an unparalleled depth of understanding of India's economic problems and her requirements and aspirations. Without being a trained economist, his analysis and prescriptions far surpass those of anyone else among national leaders, past or present. The author has explained how though a disciple of Gandhi, Nehru chose the path of rapid industriatisation with emphasis on heavy industries, planned economic development, radical land reforms, expanding public sector and establishment of a socialist pattern of society. While holding contrary economic views, love for the Indian masses brought and held Gandhi and Nehru together from beginning to the end.

B.N. Ganguli has succeeded in depicting a grand picture of the evolution of Indian economic thought. One is amazed at the perspicacity of early thinkers like Rammohun Roy, Dadabhai Naoroji, G.V. Joshi, Ranade and G.K. Gokhale, who set the pattern of thinking which in a sense still dominates the economic thinking of modern students. Though the context has fundamentally changed, the problem of economic development, low per capita income, internal drain, and mass poverty which were analysed by early thinkers are still the problems which are dominating the present economic scene and their analysis is still along the lines laid down by our forebears, though there is greater degree of sophistication due to tremendous amount of statistical data available in post-independence era.

But the unfortunate part is that the book cannot be enjoyed either by the undergraduates or by graduates or even post-graduates as the author has assumed that the reader is generally acquainted with the writings of all the authors referred to above, which is generally not the case. The author who moves from one thinker to another and from one period to another in the same chapter fails to produce a clear picture of the ideas of the thinkers analysed and the impact left by them on the Indian economic thought. The Indian student world is therefore still left without a standard work on the economic ideas of the early Indian thinkers who set the pattern for economic thinking in India.

Books Received

Gazetteer of India : Delhi : Edited and Published by Gazetteer Unit Delhi, Administration; Pp. 1165; Price Rs. 45.50.

Behaviour of Prices in India 1952-70: Santi K. Chakrabarti; Macmillan Company of India Ltd; Pp. 202; Price Rs. 50.00.

Performance Budgeting for Commercial Banks in India : S. Singh; Macmillan Company of India Ltd., Pp. 191; Price Rs. 28.00.

Guide to Indian Periodical Literature: Vol. 13. No 2, April-June 1976; Editor, Vijay Kumar Jain; Published by Indian Documentation Service, Gurgaon, Haryana-122 001; Pp. 226; Price in India: Combined Service: Rs 300; Quarterly parts only Rs 175.00.

Management : Theory, Principles and Practices : S.B. Rao; Vora & Co. Publishers Pvt. Ltd., 3, Round Building, Kalbadevi Road, Bombay-400 002; Pp.237; Price Rs. 25.00.

Recent Trends in Industrial Production in India 1977: Published by Maharashtra Economic Development Council, 106, Nagindas Master Road, Bombay-400 023; Pp. 160; Price Rs. 30.00.

Report on Income and Price Elasticities for Textiles: Published by The Secretary, Textiles Committee, Government of India, Ministry of Commerce, 79, Dr. Annie Besant Road, Worli, Bombay-400 018 Pp. 57; Price Rs. 15.00. (Postage extra)

Anatomy of Recession: Mrs. Manashi Roy; Economic and Scientific Research Foundation, Sapru House, New Delhi; Pp. 84; Price Rs. 25.00.

TRADE WINDS

eventh Finance ommission

IE VICE-PRESIDENT acting as esident has, on June 23, 77, by an order made in rsuance of article 280 of the onstitution, constituted a nance Commission, under e Chairmanship of Mr J.M. elat, former Judge of the Supme Court of India. The her members of the Commison are : Dr. Raj Krishna, ember, Planning Commison, New Delhi, Member art-time); Dr. C.H. Hanuantha Rao, Director, Instite of Economic Growth, elhi, Member (part-time); r H.N. Ray, Finance Secrery, Government of India, w Delhi, Member (part-time til 1st July, 1977) and Mr. B. Eswaran, Official on ecial Duty in the Ministry Finance, Department of onomic Affairs, New Delhi, mber-Secretary. The chairn and the members of the mmission are expected to ume office shortly. As he case of the last Commisn, a member of the Plang Commission has been ociated with the Finance mmission to facilitate cooration between the two mmissions.

The Commission is the enth to be constituted after commencement of the nstitution. Under clauses and (b) of article 280 (3) he Constitution, the Comsion is charged with the of making recommendas to the President as to—

a) distribution between the union and the states, and also the states *inter se*, of the net proceeds of central taxes like Income-Tax (other than Corporation Tax) and Union Excise Duties, which are to be, or may be, divided between the union and the States; and (b) the principles which should govern the grants-in-aid of the revenues of the states out of the Consolidated Fund of India.

Distribution Norms

The Commission will determine and recommend the sums to be paid to the states, which are in need of assistance, by way of grants-in-aid of their revenues in pursuance of the substantive provision of article 275 (1) of the Constitution.

In making its recommendations, the Commission shall take cognisance of the resources of the central government and the demands on such resources as well as the present practice in regard to determination and distribution of central assistance for financing the state pans. The Finance Commission will also take into consideration the requirements, on revenue account, of the states to meet the expenditure on administration and other non-Plan commitments and liabilities, keeping in view the national policies and priorities. In making assessment of such requirements of the states, the Commission shall take into account the emoluments of government employees, teachers and local bodies employees as obtaining at a specified date, as the Commission may deem it proper, and with reference to appropriate objective criteria as also the commitments in regard to interest charges on the states' debt, transfer of funds to local bodies and aided institutions.

The Commission shall also take into consideration the requirements of backward states to raise the level of their general administration and upgrade the standards in non-developmental sectors and services with a view to bringing them to the level obtaining in the more advanced states over the period ending with 1983-84. The scope for better fiscal management and economy in expenditure of the states, consistent with efficiency, and also need for ensuring reasonable returns on investments in irrigation and power projects, transport undertakings, other industrial and commercial enterprises etc., are also matters which the Commission shall take into consideration in making its recommendations.

President's Choice

Under clause (c) of article 280 (3) of the Constitution, it is open to the President to refer to the Finance Commission any other matter in the interests of sound finance. In pursuance of this provision, the Seventh Finance Commission also like the earlier Commissions, has been asked to suggest changes, if any, to be made in the principles governing the distribution, among the states *inter-se*, of the net proceeds of estate duty on property other than agricultural land, additional excise duties, in replacement of states' sales-tax, levied and collected on cotton fabrics, woolen fabrics, rayon or artificial silk fabrics, sugar, tobacco including manufactured tobacco, as well as the grant-in-aid to be made available to the states in lieu of the tax on railway passenger fares and the grant-in-aid in consideration of the collection of wealth tax on agricultural property.

Determination Factors

In making its recommendations, the Commission shall adopt the population figures of 1971 in all cases where population is regarded as a factor for determination of devolution of taxes and duties and grants-in-aid. Moreover, (i) the Commission may make an assessment of the non-Plan capital gap of the states on a uniform and comparable basis for the five years ending with 1983-84. In the light of such an assessment, the Commission may undertake a general review of the states' debt position with particular reference to the loans advanced to them by the central government, and likely to be outstanding at the end of 1978-79, and suggest appropriate measures to deal with the non-Plan capital gap; and

(ii) the Commission may review the policy and arrangements in regard to the financing of relief expenditure by the states affected by natural calamities and suggest modifications, as it considers appropriate, in the existing arrangements, having regard to all relevant considerations including the need for avoidance of wasteful expenditure.

The award of the Seventh Finance Commission would cover the sixth Plan period from 1979-80 to 1983-84. Accordingly, the Commission has been asked to submit its report by October 31, 1978, so that it becomes available well in time for finalising the finan-

cial projections for the sixth Plan as well as the budget for 1979-80.

Committee to Review Companies Act

The central government has appointed a high powered expert committee to consider and report on what changes are necessary in the Companies Act, 1956 and the Monopolies and Restrictive Trade Practices Act, 1969 with particular reference to the modifications which are required to be made in the form and structure of these two Acts.

The Committee consisting of ten members will be headed by Mr K.S. Hegde; Member of Parliament and former Judge of the Supreme Court of India. Other members are: (1) Mr S. Ranganathan, Member of Parliament and former Comptroller and Auditor General of India, (2) Mr R. D. Gattani, Member of Parliament, (Retired Judge of Rajasthan High Court), (3) Mr Badabrata Barua, Member of Parliament, (4) Mr. F.S. Nariman, Senior Advocate, Supreme Court of India (former Additional Solicitor General of India), (5) Mr Santanu Desai, FCA, President, Merchants Chamber of Commerce, Bombay (former President of the Institute of Chartered Accountants of India), (6) Mr S. Srinivasa Rao, FICWA (former President of the Institute of Costs & Works Accountants of India and also a member of the Institute of the Company Secretaries of India), (7) Mr D.C. Kothari, Industrialist, Madras (former President of FICCI and President, Asian Chamber of Commerce), (8) Mr Keshav Mahindra, Industrialist, Bombay (9) Mr K.P. Tripathi, Labour leader (former Minister of Assam) and (10) Mr K.K. Ray, Barrister-at-Law, Secretary, Department of Company Affairs. He will also be Secretary to the Committee.

The Committee will submit its report to the government of India by December 31, 1977 and have its headquarters at New Delhi. The Committee will undertake a comprehensive review of the Companies Act, 1956, and report *inter alia* on: (a) classification and formation of companies and the constitution of board of directors with special reference to protection of the interests of the shareholders who are in a minority; (b) exercise of managerial powers, and protection of shareholders and creditors' interests and their relations, *inter se*; (c) measures by which workers' participation in the share capital and management of companies could be brought about; (d) provisions which are required to be made to prevent mismanagement, with special reference to safeguarding of company's own interest and the public interest; (e) measures necessary to promote professionalisation of management and regulation of managerial and executive remuneration commensurate with their responsibilities; and (f) measures by which reorientation of managerial outlook in the corporate sector could be brought about.

Desired Changes

The committee will also consider and report on: (i) what changes are required to be made in the Companies Act, 1956 to streamline the winding up procedure so as to expedite the realisation and distribution of assets to the creditors and contributories; (ii) whether it is desirable to enact special provisions applicable to the government companies as a class so as to exclude the provisions of

Department of Atomic Energy

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below :—

(1) Tender No. DPS:BARC:PPF:2781 due on 11-7-77. Supply of semin finished stainless steel 304 rolled quality flanges as per purchaser's tender specifications.

(2) DPS:BARC:ENG:10222 due on: 13-7-77.
Hot moulding of carbon bricks of size 120 x 70 x 40 mm (using the powder supplied by the purchaser's as per specifications.—3000 hrs.

(3) DPS:BARC:R—EEQ:53 due on 26 7-77.
Supply of single-inlet single width centrifugal fan for air handling capacity from 2740 m³/hr to 10825 m³/hr as per specification . . 4 nos.

(4) DPS:BARC:ENG:10003 due on 14-7-77.
Supply of M.S. plates as per drawing and tender specifications . . . 2 nos.

(5) DPS:NAPP-PPED:MTL:55 due on:18-7-77.
Manufacture, inspection, testing, tropical export packaging. supply and guarantee of Inconel X-750 wries as per purchaser's specification.

6. DPS:MAPP:EIE:74 due on 13-7-77.
Fabrication and supply of cablepans. cable pan supports and accessories in huge quantities as per purchaser's specifications.

7. DPS:VEC:CAP:172 due on 20-7-77. Plasma are cutting cum ti welding machine suitable for cutting 30 mm thick stainless steel or 40 mm thick stainless steel or 40 mm alluminium or alluminium alloy plates, a per purchaser's specification.—1 No.

8. DPS:TAPS:CAP:56 due on 8-7-77. Fabrication and supply of fee water sparger as per purchaser's specification—1 no. (including two halves

(9) DPS:BARC:R-5:FAB:37 due on: 15-7-77. Design, manufactur inspection, shop testing, packing, supply and delivery at R-5 Project Site Trombay and testing of Helium Coolers as per Purchaser's tender docu ment . . . Qty; 3 nos.

(10) DPS:DAE:EEQ:5 due on 18-7-77 .Supply of power distribution tran formers 800 KVA,11000/433 volts, outdoor type, complete as per specific tion . . . 2 nos. & with 1000 KVA capacity . . . 2 nos.

11. DPS:RRC:CAP:232 due on 20-7-77. Design, supply of materia preparation of shop drawings, manufacture, inspection, shop testin assembly, packing, delivery at site, erection, testing and commissioni and guarantee of cooling tower including all auxiliaries, capacity: 36 M³/hr as per purchaser's tender document and drawing—1 no.

12. DPS:PPED:CAP:207 due on 25-7-77. Design, preparation & su mission of drawings, manufacture, inspection, supply & erection testi and commissioning of condensors and chillers as per the purchaser's tend documents and drawings-5 nos.

13. DPS:RRC:FAB:162 due on: 18-7-77. Fabrication and supply of t following as per purchaser's specification and drawings:.

1. 250 mm thick viewing window brick.:—Qty. 7 Nos.
2. 200 mm. -do- ,, 2 nos.
3. 250 mm. thick manipulator brick : ,, 14 nos.
4. 200 mm -do- : 4 nos.

14. DPS:RRC:FAB: 165 due on: 8.7.7. Preparation of shop drawin supply of materials and items, manufacture, inspection, shop assemb shop testing, guarantee, crating, delivery at fast breeder test reactor s Kalpakkam, Tamil Nadu and site assembly of transfer carriage no. 2 per purchaser's tender document & drawings . . . Qty: 1 no.

15. DPS:BARC (R-5)/ELE/57 due on 14-7-77.
Design, manufaeture testing, inspection and delivery at site of differ types of cables, as per purchaser's specifications...Total qty: 31,850 mtrs.

Tender document price Rs10/- each for items at S. no 1, 2 & 3 Rs 1 each for item at S. No. 4 & 5 Rs 25/-each for items at S. no. 6 & 7, Rs 3 for items at s. no 8. Rs 50/- each for items at S. no. 9 to 12. Rs 100/- item at s. no. 13 & Rs. 200/- each for item at S. no. 14 & 15 and gen conditions of contracts price Rs. 0.50 except for item at S. no. 9, 13 & can be had from the finance and accounts officer, department of Ato energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Buildi Palton Road, Bombay-400001 between 10 a.m. to 1 p.m. on all work days except on Saturdays. Tender documents and general conditions contracts with however be issued upto 15-7-77, 5-7-77, 15-7-77, 21-7 for items at s. no. 7, 8, 11 & 12 respectively. Import Licence will be p vided except for items at s. no. 3,6.,10,13 and 14 & 15 only if the items not available indigenously. Tenders will be received upto 3 p.m. on due date shown above and will be opened at 4 p.m on the same The right is reserved to accept or reject lowest or any tenders in par full without assigning any reasons.

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Companies Act, 1956, ierally in their applicability such companies; (iii) what iptations and modifications necessary in the provisions the Companies Act, 1956, in ir application to entrepre-irs in medium and small le sectors carrying on siness as joint stock com-nies; (iv) what further nges are required to be de in the Companies Act 56, regarding the establish-nt of places of business and eration of foreign com-nies in India; (v) what provements, if any, are uired to be made in the pre-t administrative structure l procedures regarding the forcement of the provisions the Companies Act 1956, l the Monopolies and Res-tive Trade Practices Act, 59; (vi) what changes are uired to be made in the nopolies and Restrictive de Practices Act, 1969, in light of the experience ned in the administration l operation of the said Act; l (vii) any other matter idental or ancillary to the ninistration of the Com-nies Act, 1956, and the nopolies and Restrictive de Practices Act, 1969, hav-regard to the growth and elopment of trade, com-ce and industry.

offee Getting Cold

The Finance ministry an-nced on June 26, another uction in the export duty on fee, this time from Rs 1,600 uintal to Rs 1,100 a quintal, n immediate effect. This ision was not unexpected ause of the sharp break in ld coffee prices in recent ks. This market develop-t reverses a two-year old ing trend, which got off ground when a frost dest-ed much of Brazil's crop in 1975. The resultant jump in prices has been from $1.46 a pound to more than $4 a pound for coffee drinkers in the US. Several coffee producing countries, including ours, have tried to skim some of the cream off the export boom by increasing export taxes.

Bearish Forecast

The latest crop forecast from Brazil, however has been bearish. According to the US department of Agriculture Brazil which normally grows about a third of the world's supply, will harvest about 17 million bags in the crop year beginning on October 1. This should not be far below twice the 1976-77 crop of 9.5 million bags. Production is expected to rise in other coffee-growing countries as well and the overall increase may be to the extent of 14 per cent. On the demand side, consumer resistance to high prices has curbed coffee-drinking in importing countries. As a result of all this, future prices on the New York coffee and sugar exchange have declined. Contracts for coffee beans to be delivered in July fell to $1.95 earlier this month, a drop of $ 1,45 a pound from April 14.

The revenue from the export duty on coffee was Rs 30 crores in 1976-77. The budget for the current financial year takes credit for Rs 88.13 crores on this account. This is because the export duty was raised with effect from the April 26 this year, on the strength of the boom in world coffee prices. The increase was from Rs 1,300 a quintal to Rs 2,200 a quintal. On the basis of exports of 60,000 tonnes, this enhancement of the export duty was expected to bring in an additional revenue of Rs 56 crores. The subsequent easing of world prices has made it impossible for the export duty to be maintained at as high a level as Rs 2,200 per quintal and this has resulted in two cuts so far—the present one and an earlier one on May 18, to Rs 1,600 per quintal.

It may be recalled that the export duty was raised, for the first time in November 1976, to mop up windfall profits from the recent boom in the international coffee prices. The increase then was from Rs 300 to Rs 1,300 per quintal. The latest reduction in the export duty to Rs 1,100 a quintal will still help the exchequer to realise substantially more from this source in the current financial year than it did in the last, although the budget estimate is unlikely to be realised. Moreover, it remains to be seen how much farther and how rapidly coffee prices might retreat, assuming that crop conditions continue to be favourable in the main exporting countries. It is not improbable that the decline in coffee prices might revive consumption sufficiently to counteract any excessive bearish pressure on world coffee prices.

Freight Loading on Railways

Revenue earning freight traffic on railways during April-May 1977 was 300,000 tonnes more than the target and 1.5 million tonnes more than what was lifted in April-May 1976. The railways lifted 35.8 million tonnes of freight traffic during the two months— 17.71 million tonnes in April and 18.09 million tonnes in May—the highest for these months during any year.

A major portion of the increase is in respect of coal (+1.2m tonnes) and foodgrains (+0.35m tonnes). The daily average loading of coal during May was the highest ever achieved for this month in any year. A still better rate of loading would have been achieved for May 1977 but for the strike in the Ramagundam and Belampalli collieries in the Singareni coal belt and also in the Bombay Port Trust and Gujarat Refineries. The trend of wagon loading in June 1977 also indicates that the target fixed for the month would be fully achieved.

Foreign Assistance

The Union Finance minister, Mr H.M. Patel, informed the Lok Sabha recently that foreign aid flow above the present level would be desirable as it would assist us in stepping up the level of investment. Foreign aid, besides providing balance of payment support, also supplements domestic saving, he added. The gross amount of foreign loans and grants from different countries and sources during 1976-77 was estimated at Rs 1639.36 crores. The corresponding figure for 1977-78 was estimated at Rs 1665.32 crores. The loans so received were repayable over a period of years according to the terms and conditions of each loan agreement. The periods of repayment generally range from 5 to 40 years after an initial grace period of 1 to 10 years. The rates of interest vary from loan to loan ranging from nil to 8.9 per cent per annum. During 1976-77 the amount of debt servicing charges paid by government on foreign loans was Rs 567.53 crores (Rs 369.05 crores towards repayment of principal and Rs 198.48 crores towards interest). The debt servicing charges to be paid by government during 1977-78 are estimated at Rs 612 90 crores (Rs 400.55 crores towards re-

payment of principal and Rs 212.35 crores towards interest).

Loans to Rural Artisans

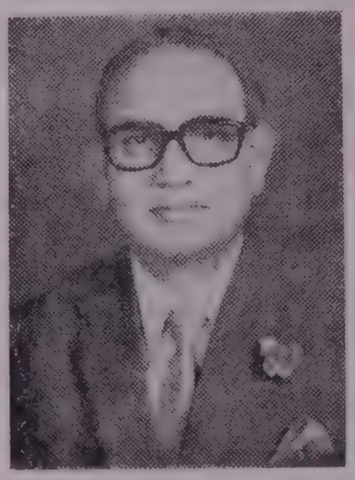
Most of the public sector banks have formulated special schemes for providing financial assistance to rural artisans and persons engaged in cottage industries. While sanctioning loans, special considerations are shown to such borrowers in the matter of interest, margin, security and repayment schedule etc. Whenever such persons are eligible for loans under Differential Rate of Interest Scheme, loans are provided to them at four per cent rate of interest.

Names in the News

Mr Siddharth Kasturbhai has been elected chairman of Atul Products Ltd, following the retirement of Mr Kasturbhai Lalbhai.

Mr R.V. Subramanian took over as secretary, department of Power, in the ministry of Energy. He was adviser to the governor of Tamil Nadu till recently. He succeeds Mr Y.T. Shah who has taken over as Executive Director of the Asian Development Bank.

Mr B.C. Biyani recently went as a union government delegate to FAO meeting in London. He is the president of Jay Shree Tea & Industries Ltd, and director, Manjushree Plantations Ltd., Kamal Trading Co (P) Ltd and Bharat Commerce & Industries Ltd. He is also the honorary. Trustee-Secretary, Birla Academy of Art and Culture, Calcutta. He was a member of the Tea Delegation to Australia in 1962 and to the FAO consultative committee meetings (Delhi 1970, Rome 1971) a member of the Indian Businessmen's goodwill mission to African countries (1965).



Mr B. C. Biyani

Mr K. Subrahmanyam, IAS, has been appointed Additional Secretary in the Cabinet Secretariat and Chairman, Joint Intelligence Committee *vice* Mr N.F. Suntook, from the date he takes over charge.

STRAW PRODUCTS LIMITED

Notice

It is hereby notified for the information of the public that STRAW PRODUCTS LIMITED proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval for establishment of a new undertaking for the production, supply, distribution or control of 4,00,000 metric tonnes per annum of Portland Cement. Other particulars of the proposed new undertaking are as under :

(i) Name of the proposed undertaking — Straw Products Limited, Nehru House, 4 Bahadur Shah Zafar Marg, New Delhi 110 002

(ii) Name of the person(s) or authority/authorities proposing to establish the new undertaking. Where it is a body Corporate, furnish details of its management structure together with those of the proposed undertaking — Straw Products Limited, the applicant Company, is managed by a Managing Director subject to the superintendence, control and directions of the Board of Directors

(iii) Capital structure of the applicant person or authority and of the proposed undertaking — The Capital structure of the applicant Company as on 31.3.1977 is as follows:

Authorised	*Amount in Rs.*
80,00,000 Equity Shares of Rs 10 each	8,00,00,000
75,000 9.5% Cum. Red. Preference Shares of Rs 100 each	75,00,000
25,000 11% Cum. Red. Preference Shares of Rs 100 each	25,00,000
1,00,000 Preference Shares of Rs 100 each	1,00,00,000
	10,00,00,000

Issued, Subscribed and Paid-up	*Amount in Rs*
40,07,984 Equity Shares of Rs 10 each	4,00,79,840
75,000 9.5% Cum Red. Preference Shares of Rs 100 each	75,00,000
22,899 11% Cum. Red. Preference Shares of Rs 100 each	22,89,900
Total :	4,98,69,740

The proposed undertaking will be a division of the applicant Body Corporate and, therefore, will not have a separate capital structure.

(iv) Proposed location of the new undertaking — PATHARIA in Damoh District a notified backward area in Madhya Pradesh.

(v) Brief outline of the cost of project, the scheme and sources of finance — The Cost of the Project is estimated at Rs 2400 lacs which shall be met by raising Share Capital Loans from Financial Institutions/Banks and from own resources.

2. Any person interested in the matter may make a representation to the Secretary. Department of Company Affairs Government of India. Shastri Bhawan, New Delhi, within 1 days from the date of publication of this Notice, intimating h views on the proposal and indicating the nature of his interes therein.

for STRAW PRODUCTS LIMITE
SITAB CHAND JAIN
Secretary

Regd. Office :
Jaykaypur,
Dist. Koraput,
Orissa.
Dated the 13th June 1977.

COMPANY AFFAIRS

undaram Finance

NDARAM FINANCE Ltd had a ccessful year of operation in 76. The gross profit rose to s 414.72 lakhs from Rs 338.16 khs in the previous year. The t profit before taxation con-tuted an all-time record at s 172.22 lakhs as against s 112.63 lakhs for 1975. After oviding for taxation, the lance available for transfer general reserve and divi-nds was of the order of s 64.22 lakhs as against s 38.14 lakhs in 1975.

The amounts advanced on re-purchase contracts during 976 stood at Rs 1,175.48 lakhs against Rs 1,308.38 lakhs in e previous year. The rise income during this year as the result of the earnings om higher unmatured finance arges, consequent on the rger advances made in the ars 1974 and 1975.

igher Dividend

The directors have recom-ended a final dividend of ne per cent subject to tax hich including the interim vidend of seven per cent orks out to 16 per cent for e year 1976. This is on the larged capital of Rs 1.50 ores as on December 31, 76. The quantum of dividend Rs 24 lakhs for 1976 as ainst Rs 16 lakhs for the evious year.

The deposits accepted by the mpany rose from Rs 1,177.50 khs at the beginning of the ar to Rs 1,357.36 lakhs as December 31, 1976. In view of the comfortable financial position and the ratio between own and borrowed funds which the company tries to maintain, the Directors have decided to suspend acceptance of fresh deposits from the public with effect from March 1, 1977.

Larsen & Toubro

Larsen and Toubro Limited has reported excellent results for the year ended March 31, 1977. The overall good performance has led the directors to recommend a dividend at 16 per cent on the equity capital. The 16 per cent dividend is equivalent to a dividend of 24 per cent on the equity capital prior to its recent increase as the result of a bonus issue in the ratio of 1 : 2 and conversion of part of the bonds. The bonus shares qualify for a full year's dividend and the equity shares issued on the conversion of bonds for a proportionate dividend for six months. The dividend on equity shares will absorb Rs 183 lakhs as against Rs 134 lakhs in the previous year.

The sales and other income of the company reached a record figure of Rs 8,142 lakhs as against the previous year's figure of Rs 7,213 lakhs. Profit before tax and investment allowance at Rs 1,275 lakhs, has shown a marked improvement over Rs 862 lakhs for the previous year.

All companies in the L&T group have shown excellent performance and the group turnover has gone up to Rs 135.78 crores as compared to Rs 112.83 crores in the previous year.

The order backlog at the end of the year is at a satisfactory level.

MICO

Motor Industries Company Ltd celebrated its silver jubilee in November 1976. The completion of 25 years of successful operations is a memorable milestone in the annals of the company, which has come to play an important role in vital sectors of the country's economy. The company's products are used extensively in agriculture, transport and industrial fields. Starting with the production of spark plugs in 1953, in collaboration with Robert Bosch GmbH, Stuttgart, West Germany, the company now manufactures a comprehensive range of diesel fuel injection systems, in addition to spark plugs for all types of petrol engines. Besides meeting the country's demand, the company has been exporting its products on an increasing scale to many countries around the world.

Impressive Record

The company's overall growth during the last twenty-five years has been impressive. The sales turnover, which amounted to Rs 1.86 million in 1952, has increased to Rs 531.15 million in 1976.

Besides developing indigenous skills and introducing advanced know-how into the country, the company has helped to develop small-scale industries, which have a high national priority. Since the company specialises in high-precision manufacture involving advanced technology, it is the company's policy to concentrate on such capital-intensive and complex manufactures and farm out to small-scale industries the jobs they can do with their limited resources. The number of such industries which supply materials, finished and semi-finished goods to the company has increased to over 250. While the company support in various ways small-scale industries who are its suppliers, that company is also closely associated with another group of small-scale industries who are its customers. The company supplies its high precision fuel injection equipment for original fitment to the stationary diesel engines manufactured by them. Considering that the company has more than 400 such customers, the number of small-scale industries with which the company is connected in one way or the other is certainly large.

The business prospects of the company for the current year seem to be improving, judging by the indications available so far. The stationary engine industry is regaining its momentum and the commercial vehicles and tractor industries are maintaining a steady growth. Sales to the replacement market have also slightly improved. In view of these trends, the company hopes that it will be able to maintain its normal rate of progress.

TISCO

The Tata Iron and Steel Co has reported all-round impressive improvements in its working results during the year ended March 31, 1977, production despatches, sales, profits and margins all being significantly higher than in 1975-76. The directors have recommended an equity dividend of Rs 10 per share of Rs 100 for 1976-77 as against the dividend of Rs 7.75 per share of Rs 75 paid for 1975-76.

Last year, the company raised the paid-up value of its share from Rs 75 to Rs 100 per share by capitalising a sum of Rs 12.86 crores.

Mr J.R.D. Tata, the chairman said, that the smart rise in profits and profitability was due to improved average realisation, a better product-mix and a slight firming up of stockyard prices. A vigorous cost reduction drive enabled the company to contain increases in costs. Mr Tata said that the board had declared the maximum dividend of Rs 10 per share under the present circumstances. He disclosed that the company has approached the government to review the condition imposed in October 1973 regarding funds to be earmarked for the plant modernisation and development fund. He said that this condition was only for a period of three years and he therefore made a strong plea to the government to waive this condition as early as possible.

Increase in Exports

Saleable steel production increased from 1.486 million tonnes to 1.550 million tonnes while despatches rose from 1.337 million tonnes to 1.486 million tonnes. Exports of steel went up from 88,000 tonnes to 184,000 tonnes while aggregate exports at Rs 33 crores outstripped the previous year's performance by as much as Rs 12 crores.

The company's gross sales and other income was higher at Rs 332.84 crores as against Rs 287.63 crores in 1975-76 while the profit before depreciation and interest, recorded a handsome rise to Rs 46.20 crores from Rs 38.44 crores in the previous year. Out of this, a sum of Rs 17.28 crores was appropriated to depreciation reserve as against Rs 16.20 crores while a sum of Rs 3.60 crores was earmarked for investment allowance reserve as compared to Rs 1.55 crores for development rebate reserve in the preceding year. Taxation absorbed Rs 6 crores as against Rs 3.25 crores a year ago while the interest charges amounted Rs 10.87 crores as compared Rs 9.57 crores in 1975-76. A sum of Rs 5.31 crores was transferred to plant modernisation and development fund as against Rs 5.69 crores previously. The allocation to debenture redemption fund has been maintained at Rs 60 lakhs. The proposed equity dividend will claim Rs 5.14 crores, Rs 1.15 crores more than in 1975-76 while preference dividend will consume Rs 84.39 lakhs, the same as in the earlier year.

Stewarts and Lloyds

Despite highly competitive market conditions Stewarts and Lloyds India Ltd has yet another successful year. In fact in 1976 the company not only held on to the gains achieved in the previous two years but was in fact able to improve upon them during the year. This is undoubtedly the result of the success of the company's sustained efforts over the past few years to gear its skills not only to what the market demands but more so towards the sophisticated needs of industry in the field of pipework engineering and construction.

While, therefore, the sales turnover of the year of Rs 674.19 lakhs represented a reduction of 13.4 per cent from the previous year's turnover of Rs 778.76 lakhs, the profit before taxation increased from Rs 48.54 lakhs to Rs 57.38 lakhs. This improvement of 18.2 per cent in profit despite a reduction in the sales turnover, as also a drop in the total tonnage of production, clearly shows that the company handled a more sophisticated mix of orders and operated at a higher pitch of all round efficiency during the year.

Severe Competition

The finalisation of the fifth five-year Plan, involving increased outlays in these sectors, was announced by the government at the beginning of the years, but the release of investment expenditure was not sufficiently speedy to offer any noticeable improvement in demand. In line with the experience of the engineering industry as a whole, the company had to face severe competition throughout its range of products and services, particularly in respect of shop fabrication work and it was only by following a flexible and innovative policy that the company was able to keep its resources busy and engaged in activity which was productive and profitable.

There is a growing tendency on the part of large project customers to give up the advantages of shop fabrication work to the somewhat deceptive conveniences of site oriented fabrication. The company has always encouraged customers. who seek quality work and trouble free service from the industrial pipework they put into service in elaborate and expensive plants, to insist on fabrication of pipework under the controlled and regulated environment of a properly organised workshop, where with the use of a full complement of tailor make plant equipment, highly skilled manpower and close technical supervision better long-term results can be achieved, as compared to fabrication carried out in field workshops put together inevitably at short notice. This is particularly relevant to plant pipework of a critical nature, where even a minor failure in service could lead to losses in production running into millions. The additional cost involved is really insignificant as compared to the long-term gain and it shall continue to be the company's endeavour to convince its project customers of this.

Good Prospects

The company has started 1977 well, but with the level of load presently availabe for shop fabrication the company may not be able to turn its shops to capacity. However the company has a healthy order book for erection and construction which should more than make up for any shortfall from shop fabrication. It is, therefore expected that the trend of improvement so positively displayed by the company in its performance during the last three years will be continued during the current year. These observations are contained in the chairman's annual statement circulated to the shareholders of the company.

Synthetics and Chemicals

Although the output of Synthetics and Chemicals Ltd was higher in 1976 than in 1975, profits were somewhat lower. Production would have been still higher had the alcohol supply been adequate. Profitability was lower during the year under report mainly because the price of alcohol had been increased from October 31, 1975, by as much as 70 per cent. Whilst the burden

f the higher price was borne y the company during the ear 1975 only during the last vo months of November and December, this additional urden had to be borne by the ompany during the entire ear 1976. There were increases n the cost of other inputs also. n pursuance of its determinaion to make its maximum ontribution to the effort to ontain inflationary trends, the ompany increased only oderately the selling prices f synthetic rubber from anuary 1976 and absorbed a art of the increase in costs. Even so, the company's perormance has been satisfactory nd the directors are in a osition to recommend the aintenance of the dividend for ne year under report at the ate of 15 per cent per annum.

mproved Sales

For the current year, prouction up to April 1977 had een 8,723 tonnes compared to ,185 tonnes during the corresonding period in the precedg year, and sales 8,470 tonnes alued at approximately Rs 9 rores as against 7,542 tonnes alued at Rs 7 crores last year. onsidering the general improement in the company's orking as also the better pectations regarding alcohol ailability, the production as ell as sales for 1977 should be out 27,000 tonnes as against ,012 and 25,810 tonnes, spectively, during 1976. The trile rubber plant has been st commissioned, and proction this year is expected be over 500 tonnes. As gards profitability, the comny's policy has always been charge reasonable prices d, keeping in mind its social ligation as an industry basic the country's rubber econo-, the company has been creasing its prices very moderately to cover only inevitable cost increases. This naturally keeps the profitability of the company at moderate levels. However, as a result of economy in expenditure as also higher production, improved productivity and diversification the company hopes to improve its profitability during the current year. The final results will depend on a number of imponderables, such as, the supply position and prices of alcohol, benzene and other raw materials.

Diversification Plans

The company is making satisfactory progress in the implementation of its diversification programmes. It has already commenced commercial production of nitrile rubber. It has applied for an import licence for the machinery required for the ABS plastic plant. As regards butadiene catalyst, the company has already undertaken construction of the project. Other diversification plans are being vigorously pursued, and efforts are being made to effect the optimum utilisation of by-products. Shortage of alcohol, however, restricts the company's diversification schemes so much so that the company had to surrender the letter of intent for its acetone project, as the government is not prepared to guarantee the alcohol requirements of this project.

News and Notes

For the third year in succession, **Tata Exports**, one of the largest export houses in the country, has won the coveted Best Exporter Award instituted by the Maharashtra government, in the export house category, for outstanding export performance during the year 1975-76.

Tata Exports was able to increase its total turnover from Rs 37.40 crores in 1974-75 to Rs 60 crores in 1975-76. In the following year 1976-77, Tata Exports achieved a total turnover of Rs 92.35 crores of which exports were to the turn of Rs 77.69 crores.

New Issues

A joint sector project is being set up at Rajpura in Patiala district of Punjab for the manufacture of 10,000 tonnes of synthetic detergents, 7,200 tonnes of toilet soaps and 450 tonnes of glycerine per annum. Synthetic detergents will be manufactured by the latest sulphur burning process and patented ballestra process for spray drying thereby resulting in uniformly good quality. The company expects to market a major portion of its production in north India.

The promoters are the Punjab State Industrial Development Corporation and Dai-Ichi Karkaria Private Ltd, Bombay, (DIK), which will provide the necessary technical know, is presently engaged in the manufacture of various types of non-ionic, anionic and cationic surface active agents, besides a wide variety of emulsifiers and speciality chemicals. Its sulphonation plant at Pune is employing the same sulphonation process that will be used by the new company for manufacturing synthetic detergents. The construction of the factory is expected to be completed by November 1977.

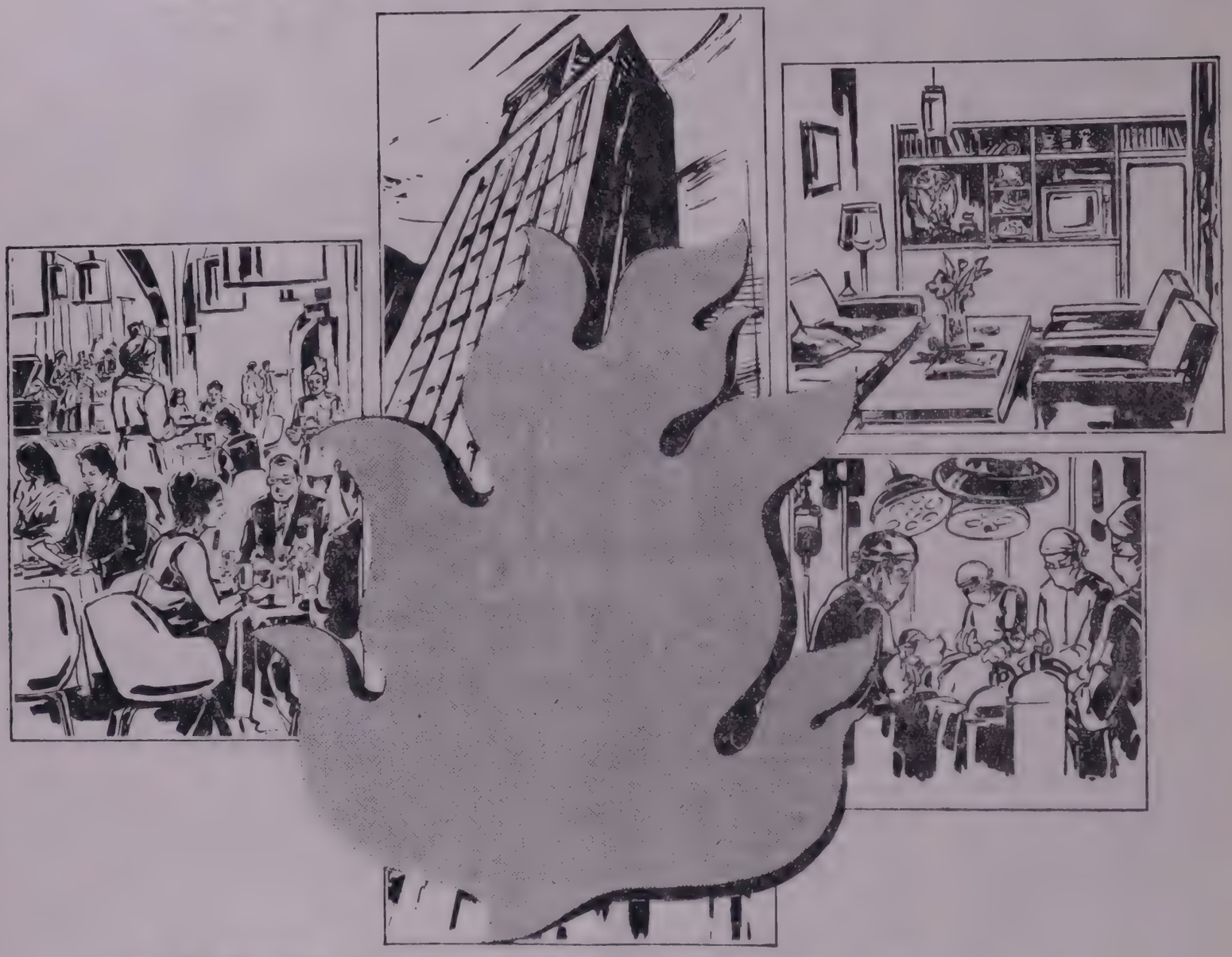
The cost of the project is proposed to be met by share capital of Rs 1.90 crores, term loans of Rs 2.76 crores and deferred credit of Rs 34 lakhs. The company proposes to issue shortly 8,82,000 lakh equity shares of Rs 10 each and 10,000—11 per cent, cumulative redeemable preference shares of Rs 100 each.

Dividend

(per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Travancore Rubber & Tea Co.	Dec. 31, 1976	12.0	4.0
Champarun Sugar Co.	Dec. 31, 1976	10.0	Nil
Highland Produce	Dec. 31, 1976	25.0	12.0
Joonktollee Tea & Industries	Dec. 31, 1976	22.0	20.0
Naga Hills Tea Co.	Dec. 31, 1976	20.0	15.0
Pathemara Tea	Dec. 31, 1976	15.0	10.0
Same Dividend			
Pudumjee Paper	Dec. 31, 1976	10.0	10.0
Rydak Tea Syndicate	Dec. 31, 1976	20.0	20.0
Mahindra Ugine Steel Co.	Dec. 31, 1976	14.0	14.0
Reduced Dividend			
Maharaja Shree Umaid Mills	Dec. 31, 1976	10.0	16.0

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The Madras Aluminium Co. Ltd.

Shri R. Venkataswamy Naidu's Review

The following is the address to members of the Company delivered by Shri R. Venkataswamy Naidu, Managing Director at the 17th Annual General Meeting of The Madras Aluminium Company Limited held at 'Shanmuga Manram', Race Course, Coimbatore-18, on Monday, the 27th June, 1977.

I welcome you all to the Seventeenth Annual General Meeting of the company.

At the outset, it is my painful duty to refer to the untimely demise of Shri Fakhruddin Ali Ahmed, President of India. In him the country has lost a great patriot who had rendered yeoman service to the cause of national integration. I also wish to place on record our deep sense of sorrow at the demise of Shri T.K. Sankaravadivelu, who was on our Board for the last nine years and whose counsel was of great assistance to his colleagues on the Board.



Shri R. Venkataswamy Naidu

The country has faced a momentous event in the holding of the general election involving the largest working democracy in the world. It speaks volumes for the sense of patriotism, duty and the democratic traditions of our people that an election of this magnitude and change over in administration could take place peacefully. This augurs well for the future of democracy in the country and for the well-being of the people.

From the report of the Directors for the year 1976 it can be seen that our profit before depreciation has tripled, when compared to the previous year, though the turnover is only about one and a half times that of the previous year. Throughout the year, the company had to deal in a buyers' market and clearance of stocks assumed greater importance than the realisation of profits. In order to liquidate the stocks the company had to export about 2,000 tonnes below cost. Considering the conditions that prevailed in the aluminium market, the clearance of over nearly 20,000 tonnes of metal by us producers during the year and the realisation of over fifteen crores of rupees should be considered an achievement.

In 1972 when our financial position was very comfortable, the plan for doubling the capacity was taken up and this expansion we programmed to finance only with our own internal resources and with a long dated deferred payment of foreign loan of about Rs 1½ crores. We intended to complete the expansion programme in stages consistent with our financial capacity based on the generation of resources and also consistent with the availability of assured power supply. But unfortunately, we were pressurised to go ahead with our expansion programme expeditiously availing loan facilities from financial institutions, as aluminium is in the essential core sector which was required to be expanded urgently to meet the growing demand.

Dus to extra-ordinary and unforeseen drought conditions in our country since 1973-74, there have been stringent power cuts and our industry could not be spared from the power cut, though Government were fully aware of the disastrous effect of it on the aluminium industry. Power cut has been our agonising problem for the past 3 years and we are hoping that the new Government would come to the aid of this important aluminium industry to ensure smooth operation without any imposition of power cuts. Since aluminium metal is of strategic importance as it is required for rural electrification and development, the new Government is fully conscious of the necessity to safe guard it from the effects of power cuts, so that rural electrification programme can be expeditiously completed to enable promotion of small scale industries as envisaged in their programme.

Right from 1973 onwards, we have been subjected to severe power cuts and we have been providing full depreciation upto 1974 even though our utilisation of plant was much below our capacity. We are working out how best we can restructure the provision of depreciation in the light of continued under-utilisation of capacity due to power cut. With the requisite permission of the concerned Governmental authorities, we hope to do the necessary restructuring on a realistic basis which will be beneficial to the company and its shareholders. Moreover, the development rebate reserve created in prior years will be available from this year onwards for adjustment against arrears of depreciation or for payment of dividend.

At present the international price for Aluminium is very high and we can realise nearly Rs 1,000 more per tonne than the prevailing Indian price. Unfortunately, the Government is not permitting export and we have to sell the metal indigenously incurring loss.

We understand that a sub-committee set up by the Government of Tamil Nadu has appraised the dues from the Company to the Electricity Board and also the earnest money deposit to be paid by the Company. We understand that after the reappraisal, a reasonable figure will be arrived at and we will also be allowed phased repayment.

You are aware, we had been sanctioned a loan by Mediobanca, Italy, for payment of technical fees to our Collaborators and for importing our equipment for expansion from Italy. Due to various factors we were not able to utilise this credit. Hence, with the permission of the Government of India, we exported aluminium ingots to our Collaborators to discharge our obligation towards technical fees. We have surrendered the import licence issued under this credit as we have been able to acquire the requisite equipment indigenously. I am happy to mention that one crore of Rupees from IDBI to reimburse the amounts already expended by the Company is under processing and is expected to be cleared soon.

The Government of India have increased the retention price for our levy metal by about Rs 660/- per tonne only

om 10th May, 1977, though is was expected to be announced over a year ago. rices realised for non-levy ere not satisfactory in view of he unfavourable market conditions. The power cut that prevailed from the later half of 976 also affected the working f the company seriously in hat the company had to incur production loss of approximately 3000 tonnes.

Only a continued supply of ower for full utilisation of our apacity and a diversification nto manufacture of sheets and xtrusions will pull the company out of its difficulties. I nderstand that the Government of India is fully seized of he matter and they will take ecessary steps so that the Aluminium Industry in the ountry is not seriously affected y frequent power cuts. We re also seriously considering he question of switching over o coal from furnace oil for our steam generation. We are lso negotiating to purchase Extrusion Press and Rolling Mills from abroad.

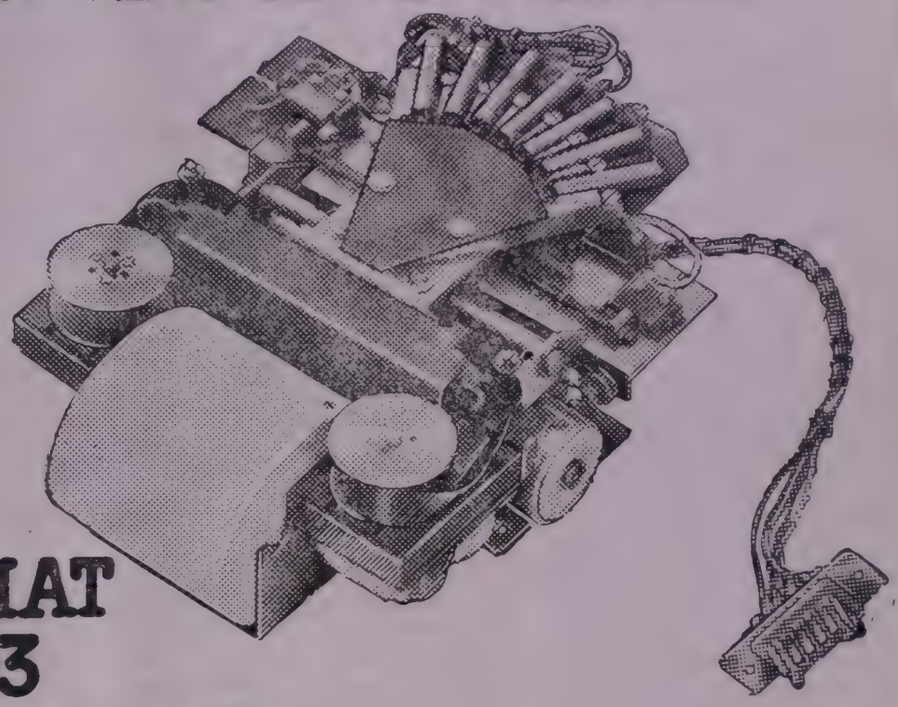
Your company has intrinsic otential for making good profit. Given continuous supply of he entire sanctioned power hroughout the year, the company will be able to make substantial profits not only to provide adequate depreciation but also start paying arrears of dividend to preference shareholders and hope to come out with a prospect of dividend to equity shareholders, in the near future.

In conformity with the general policy and on the advice of he financial institutions to educe the Board to a reasonable size, I requested some members of the Board for voluntary retirement. I am very happy to say that Mr. K.R.K. Menon, Mr. R.K. Kandaswamy and Mr. V. Ramaswamy Naidu extended their full co-operation to me and resigned from the directorships in response to my request. wish to place on record the ervices to the company of hese three directors who have been associated with us from the inception of the company. In particular I want to mention the support extended by Mr. K.R.K. Menon, as the Chairman of Industrial Finance Corporation of India, when we negotiated for their financial assistance, by way of underwriting shares and granting of rupee loan as also guaranteeing foreign loan.

Before I conclude my speech, I wish to thank the Government of India, the Government of Tamil Nadu, our Collaborators, the Financial Institutions and our Bankers for their continued co-operation and for the help rendered to us. I also wish to place on record the devoted services of all our employees at all levels.

Note: *This does not purport to be the proceedings of the Annual General Meeting.*

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SOUTH INDIA VISCOSE LIMITED

Speech of the Chairman, Sri R. Venkataswamy Naidu

delivered at the 19th Annual General Meeting of the Company, held on Monday, the 27th June 1977 at 3.00 P.M. at the Regd. Office of the Company, Shanmuga Manram, Race Course, Coimbatore-641 018.



Sri R. Venkataswam y Naidu

Ladies and Gentlemen,

It gives me great pleasure to welcome you all for this 19th Annual General Meeting of the Company.

At the outset, I must recall the sudden demise of our beloved President, Fakrudin Ali Ahmed, who was one of our illustrious sons of our country, who stood as a symbol of our faith in secularism. In his death our country lost a statesman.

The apprehensions in certain quarters of our country and also all over the world were belied by the people of our country when they brought about a smooth revolution, even though a bulk of our population are not literates and thus upheld the high ideals of democracy when they brought about a change in Government of the country. The new Government is confronted with quite a number of problems like inflation, high prices of essential commodities, unemployment etc., but I have every reason to believe that it will be equal to the task and bring relief to the common man—the poor and the down-trodden and also bring about measures in their plan for the progressive economic development of the country even in rural areas to provide more employment and bring economic prosperity for all.

Now that the first budget announced by the new Government which partly indicates the course of development which the Government is intending to programme to contain inflation and provide essential commodities at reasonable prices, encouraging rural based industrial development and a lot of incentives for the business community, extending co-operation for handloom and power-loom industries.

While I appreciate the incentives proposed for establishing new units in rural areas, I would request the Government to consider extending similar incentives given for expansion programmes of industries based in rural areas, which will go a long way to fulfil the expectations of the Government in the uplift of the rural and backward areas.

I am very happy to inform the shareholders that the Promoters and Pioneers of the Company had foreseen the need to start the industry rural based and thus thought it fit to establish this factory in a tiny little unknown village—Sirumugai which is about 30 miles from Coimbatore. This village is now buzzing with activities and there is complete transformation of economic growth and prosperity in the whole area on account of this factory, which anybody can see while going through the vicinity of the Industrial complex in and around Sirumugai village.

Apart from the substantial revenue, which the Forest Department gets, one can see the potential growth of employment in such forest areas of Nilgiris and Kodaikanal. Our Company is mainly responsible for the planned expansion and growth of tree plantations, development of roads and greater transportation of men and materials.

During the year under review, your Company had to run to the serious succour of the rural population residing in 15 villages in and around Sirumugai by rushing drinking water from the plant premises by lorries and thus helped, alleviating the sufferings of the village folk during the critical period of water scarcity.

Now coming to the affairs of the Company, I am glad to inform you that there has been a significant increase of Rs 7 crores in the turnover of the Company to a total of about Rs 21 crores. However, the profits of the company has not increased to that extent, This is because of higher rates of electricity, fuel oil, stores consumption, heavy interest charges etc.

At this stage of our expansion programme, which is now in full swing, I would like to recapitulate the circumstances under which this company was founded and the various stages at which it was poised for a break-through in its development programmes. It was in the year 1955, the then Finance Minister, Government of India and the then Chief Minister of Tamil Nadu consulted the Southern India Millowners' Association to set up a forest based industry for the economic growth and development of forest areas of Nilgiris and Kodaikanal which were very good for the growth of bluegum and wattle wood. While the Southern India Millowners' Association agreed to the proposals, the Government asked the Forest Department to plan large scale plantations of bluegum and wattle both at Nilgiris and Kodaikanal areas, so as to ultimately feed a big rayon grade pulp plant to be established by the promoters of this company.

We were asked to start and develop a forest based industry and with that in view, we were permitted to produce rayon and staple fibre and ultimately to take up pulp plant when the plantation was ready for cutting and processing.

It was in 1957, the South India Viscose came to be established for the production of rayon and staple fibre—the end products of rayon pulp,

so as to assist the cotton textile mills for their needs of Staple fibre and also for the rayon cottage industries for the production of rayon fabrics for both export and internal consumption and when the planned forest development of bluegum and wattle was in maturity and had reached the stage of development for cutting and processing in our pulp plant, we established the pulp plant and commenced the first stage of production of 21,600 tons per annum with the active help and co-operation from M/s Italviscosa Eastern Trading S.P.A., our Collaborators.

When there was a shortage of staple fibre in the country, we were asked to increase the production of staple fibre and the Government of India were kind enough to issue us an industrial licence for expansion of our staple fibre capacity from 4,000 tons to 11,000 tons per year. Thus, this expansion project of Staple Fibre came into existence during December, 1973.

Since the dissolving wood pulp is still scarce and as our country has been importing a good amount of dissolving wood pulp, the Government of India allowed us to expand our dissolving Wood Pulp plant also from 21,600 tons to 42,000 tons per year and this expansion is in progress and the first stage has already been commissioned in December, 1976 by His Excellency Dr. Carlo Calenda, the Italian Ambassador for India. Further, the entire expansion of 42,000 tons per year is likely to be completed by the end of this year. For this expansion, we will be utilising in addition to Wattle wood and Bluegum, hybrid variety of Eucalyptus trees grown the plains, thanks to the improvement in technology; and thus fulfil the plans of the Government of India to exploit the forest wealth of this part of the country. This was a great success and I am glad to inform you that this is the only factory in the country for the manufacture of Rayon grade wood pulp. The production of Rayon grade wood pulp in our country even now is not adequate to meet the entire demand. When the expansion of our pulp plant is over and commercial production started, we could reduce substantially the imports from foreign countries and save valuable foreign exchange.

The policy of the company has always been to maintain a reasonable dividend and to plough back all the surplus into the expansion of the company and also for diversification so that the company can be a sound and economically viable unit of International standards. Most of the expenditure on expansion and diversification was met out of our own resources and not by resorting to large scale borrowing.

I am glad to say that this policy has stood us in good stead, in that we are able to compete in the export market of our products to Europe and other countries. We also offer our products to cottage Industries at concessional rates for the promotion of export of Rayon fabrics and also to ensure mass employment in semi-urban and rural areas. We are also able to offer Wood Pulp to other Rayon Factories at a price lower than the imported cost.

In our humble way, we have also contributed to the development of this specialised Industry in India, by permitting one of our executive to be the Project Manager of M/s Andhra Pradesh Rayons and we have gone one step further in permitting one of our Senior Executives to be the Director on their Board, thus giving our shoulder to the progress of this industry in our neighbouring states also.

Further we are also going in for Polynosic Staple fibre which is a very sophisticated fibre to serve as a substitute product of imported long staple cotton. In this connection I wish to inform you that we have been issued an industrial licence for the production of 7,000 tons per year of Polynosic staple fibre.

Our industrial joint venture in Malaysia in collaboration with Messrs Italviscosa Eastern Trading S.P.A., Italy and local promoters of Malaysia for the setting up of Paper and Dissolving Wood Pulp Plant is being pursued. Negotiations are going on for the long term loans required for the project with international financial institutions. If everything goes according to plan, bulk of the equipment will be supplied from India.

But for the lightning strike of the workers for about 55 days in January/February this year, the relationship with the workers has been uniformly good. All the pending issues were thrashed out and settled to the satisfaction of all the workers and an agreement has been entered into with the workers for a period of 4 years from 1-5-1977. It is hoped that happy atmosphere would continue to prevail and the ambitious programme of the Company for expansion would be fulfilled to the satisfaction of all concerned in the Company and also in the larger interest of the country as a whole.

Finally, nothing will give us greater satisfaction than to give our shoulders to the wheels of progress that may be contempleted at any time for further expansion or diversification of the industry in the national interest, growth and prosperity.

I take this opportunity to thank all the workers, staff and officers of the company for their continued co-operation.

Thanking you,

Note : *This does not purport to to be the proceedings of the Annual General Meeting.*

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Manager

Sundaram Finance Limited

37, Mount Road, Madras-600 006

Speech of Shri T.S. Santhanam, Chairman, Sundaram Finance Limited, to the Shareholders at the twenty third Annual General Meeting of the Company held on 15th June, 1977, at Taj Coromandel Hotel, Madras 600 034.

Dear Friends:

It gives me great pleasure to welcome you to the 23rd Annual General Meeting of your company. The Directors' Report, the audited Balance Sheet and the Profit and Loss Account for the year ended 31st December 1976, have been circulated to you and, with your permission, I shall take them as read.

WORKING RESULTS

I am happy to inform you that the Company had a successful year of operation in 1976. The gross profit has risen to Rs. 414.72 lakhs from Rs. 338.16 lakhs in the previous year. The net profit before taxation has constituted an all-time record, at Rs. 172.22 lakhs as against Rs. 112.63 lakhs for 1975. After providing for taxation, the balance available for transfer to General Reserve and Dividends is Rs. 64.22 lakhs as against Rs. 38.14 lakhs in 1975. The amounts advanced on hire-purchase contracts during 1976 stood at Rs. 1,175.48 lakhs as against Rs. 1,308.38 lakhs in the previous year. The rise in income during this year is the result of the earnings from higher Unmatured Finance Charges, consequent on the larger advances made in the years 1974 and 1975.

DIVIDEND

Your Directors have recommended annual dividend of 9% subject to tax which, including the interim dividend of 7%, works out to 16% for the year 1976. This is on the enlarged capital of Rs 1,50,00,000 as on 31st December 1976. The quantum of dividend is Rs. 24 lakhs for the accounting year 1976 as against Rs. 16 lakhs for the previous year.

DEPOSITS

The deposits accepted by the Company rose from Rs. 1,177.50 lakhs at the beginning of the year to Rs. 1,357.36 lakhs as at 31-12-1976. In view of the comfortable financial position and the ratio between own and borrowed funds which your Company tries to maintain, your Directors decided to suspend acceptance of fresh deposits from the public with effect, from 1st March, 1977. On your behalf, the Board of Directors take this opportunity to express their gratitude for the confidence the depositors have reposed in your Company.

RELIEFS IN TAXES FOR AUTOMOBILE AND ROAD TRANSPORT INDUSTRY

In my last report, I stated that the offtake of commercial vehicles had been affected as a consequence of the high cost of vehicles, increase in motor vehicles tax and rise in operational costs.

The Goods Transport Industry has suffered a diminution in its gross earnings as a consequence of severe competition from the Railways who have improved their efficiency and also due to the fall in offering of commodities and manufactured goods. The steep increase in the price of fuel from the commencement of the year 1974, the increase in the prices of vehicles and spare parts and the higher taxes at Union and State Government levels, have seriously eroded the profitability of the Road Transport Industry. According to the National Council of Applied Economic Research, the incidence of taxes at the Union and State levels accounts for nearly 50% of the value of the commercial vehicle. Road Transport is an essential infrastructure for the economic development of our nation. Several Committees have gone into the taxation of the Road Transport Industry and have suggested rationalisation and a ceiling on motor vehicle taxes. Ten years back, Public Sector Undertakings were replacing vehicles after five years; today they are replacing vehicles after ten years. This is a clear indication of the reduced cash-flow and the crying need for relief in (a) sales tax, (b) motor vehicles tax, and (c) excise duty.

REMOVAL OF RESTRICTIONS IN FREE MOVEMENT OF GOODS

There is considerable hold-up of transport vehicles as a consequence of the working of octroi and check-posts. Several Committees appointed by the Union Government have gone into this question and unanimously recommended the abolition of octroi and check-posts and the merging of octroi with any other taxes. It is time that these impediments are removed so that road transport vehicles can move freely throughout the nation in the same manner as Railways.

ALLOCATION OF FUNDS TO ROADS

Government expenditure on roads is not keeping pace with the increase in the number of vehicles and the revenue derived from the Automobile and Road Transport Industries. In fact, it has fallen from a peak of over 75% of the total revenue accruing to Central and State Governments, expended on maintenance and construction of roads during the First Plan Period, to less than 30% during the Fifth Plan. Better roads and better surfacing of roads will reduce fuel consumption, reduce wear and tear and generate savings for the Road Transport Industry to plough back for the replacement of vehicles. This will also result in a national saving by reducing the import levels of petroleum products. I appeal to the Union and State Governments to consider the urgent need for allocating sufficient funds for development of roads and maintenance of roads.

DIRECTORS

Shri V Namby has been a director ever since the incorporation of the Company in 1954. He became the Managing Director in 1961 and retired from this office on 19th January, 1977. During his tenure, the Company has grown manyfold and today, it is the premier hire-purchase finance company in India with an established reputation. I take this opportunity, on your behalf, to thank Sri V Namby for the valuable services rendered to the Company during his term of office.

I have pleasure in welcoming Sri T N Padmanabhan who has assumed office as Managing Director of the Company with effect from the 20th January, 1977. Sri T N Padmanabhan has good and varied financial and administrative experience. I am confident that the Company will grow from strength to strength under his stewardship. On your behalf, I have great pleasure in wishing him success.

PROSPECTS

The payments during the first five months of 1977 amounted to Rs. 636.63 lakhs as against Rs. 453.67 lakhs for the corresponding period in 1976. Your Directors are confident of maintaining the profitability in the current year also.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I am happy to place on record my appreciation of the good work done by the Company's staff—in the field as well as in the office. I also wish to express my sincere thanks, on behalf of your Company, to all the depositors and customers for their continued support. Finally, I thank all the members present for making it convenient to attend the Meeting.

This does not purport to be a record of the proceedings of the Annual General Meeting.

SAA/SFI/268

Wholesale prices

THE OFFICIAL wholesale prices index of 'All Commodities' recorded a fall of 0.1 per cent to 187.4 (provisional) during the week ended June 11,1977 when compared to 187.6 (provisional) for the earlier week. Groupwise analysis of price movement is shown below:

Primary Articles

Among primary articles, the index for 'Food Articles' was lower by 0.2 per cent to 173.8 as against 174.2 for the previous week due to a fall in the prices of bananas (—4 per cent), bajra, barley and fish (—3 per cent each), gram (—2 per cent) and arhar and spices and condiments (—1 per cent each). However, prices of moong (+2 per cent) and milk (+1 per cent) advanced.

Lower prices of raw silk and soyabean (—5 per cent each), raw cotton, copra, nigerseed and mohua seed (—2 per cent each) and rape and mustard seed, gingelly seed, castor seed and kardi seed (—1 per cent each) brought down the index for 'Non-food Articles' group by 0.7 per cent to 188.7 as against 190.0 for the previous week. The prices of raw jute (+2 per cent) and cotton seed (+1 per cent), however, moved up.

Minerals

The index for 'Minerals' stoods tationary at its earlier week's level of 469.9.

The index for this group remained unchanged at its previous week's level of 232.4.

Manufactured Products

Among manufactured products, the index for 'Food Products' came down by 0.4 per cent to 194.8 when compared to 195.5 for the last week due to a fall in the prices of gingelly oil (—3 per cent), mustard oil (—2 per cent), sugar, groundnut oil, cottonseed oil and oilcakes (—1 per cent each). However, prices of gur and kardi oil (+2 per cent each) and salt, and mahua oil (+1 per cent each) moved up.

The index for 'Beverages, Tobacco & Tobacco Products' stood stationary at its previous week's level of 166.6.

Textiles

The index for 'Textiles' group stepped up from 169.9 to 170.0 owing to a marginal rise in the prices of cotton cloth (mills) and cotton yarn although the prices of jute manufactures (—2 per cent) and silk and art silk manufactures (—1 per cent) declined.

The index for 'Paper and Paper Products' stood stationary at its previous week's level of 182.3.

The index for 'Leather and Leather Products' remained unchanged at its last week's level of 221.8.

The index for 'Rubber and Rubber Products' recorded no change and remained firm at its previous week's level of 156.7.

The index for the 'Chemicals and Chemical Products' group maintained its earlier week's index of 172.6.

The index for 'Non-metallic Products' stood stationary at its last week's level of 190.8

Basic Metals and Alloys

The index for 'Basic Metals, Alloys and Metal products' advanced by 1.0 per cent to 193.9 as against 192.0 for the previous week due to an increase in the prices of barrels and drums and in containers.

The index for 'Machinery and Transport Equipment' group went up by 0.3 per cent to 170.7 as against 170.2 for the earlier week due to an increase in the prices of textile machinery and stores (+3 per cent).

The index for 'Miscellaneous Products' group registered a rise of 0.2 per cent to 173.3 as against 173.0 for the last week owing to an advance in the prices of wood screws (+8 per cent).



Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-groups

(Base 1970-71 = 100)

Major groups, groups & sub-groups	Weight in relation to all-commodities	Week Ended				
		11.6.77	4.6.77	14.5.77	16.4.77	12.6.76
			(Provisional)		(Final)	
1	2	3	4	5	6	7
All Commodities	(1000.00)	**187.4**	**187.6**	**186.7**	**183.4**	**170.7**
I. Primary Articles	416.67	**186.4**	**187.0**	**185 3**	**181.6**	**160.0**
A. Food Articles	297.99	**173.8**	**174.2**	**173.3**	**168.9**	**152.7**
Foodgrains	129.22	164.6	165.0	163.3	159.6	144.4
Cereals	107.43	160.0	160.2	158.2	158.1	148.4
Pulses	21.79	187.0	188.3	188.6	167.4	124.7
Fruits & vegetables	61.32	185.4	186.7	187.9	170.0	157.4
Milk & milk products	61.50	161.0	160.1	157.2	155.7	153.5
Eggs, fish & meat	18.97	182.5	184.4	188.6	182.6	179.3
Condiments & spices	10.94	174.1	175.8	173.9	166.6	149.2
Other food articles	16.04	241.4	240.8	241.4	275.6	169.0
B. Non-food Articles	106.21	**188.7**	**190.0**	**188.9**	**183.2**	**147.2**
Fibres	31.73	196.4	199.6	199.1	196.6	174.4
Oilseeds	42.01	197.4	198.4	193.5	180.8	113.1
Other non-food articles	32.47	169.8	169.8	173.1	173.4	164.6
C. Minerals	12.47	**469.0**	**469.0**	**442 2**	**469.0**	**442.9**
Metallic minerals	2.29	177.4	177.4	177.4	177.4	172.8
Other minerals	4.16	181.8	181.8	181.5	181.8	180.3
Petroleum crude & natural gas	6.02	778.9	778.9	723.6	778.9	727.4
II. Fuel, Power, Light & Lubricants	84.59	**232.4**	**232 4**	**233.0**	**233 0**	**229.7**
Coal mining	11.47	197.2	197.2	197.2	197.2	197.7
Mineral oils	49.12	267.6	267.6	267.6	267.6	267.2
Electricity	24.00	177.2	177.2	179.3	179.3	168.2
Manufactured Products	498.74	180.6	180.5	180.0	178.3	169.7
A. Food Products	133.22	194.8	195.5	195.4	189.7	175.8
Dairy products	3.88	189.5	189.5	180.9	189.5	181.4
Canned & preserved fruits & vegetables	0.39	156.2	156.2	155.5	156.2	155.5
Canned & preserved fish & sea food	0.36	205.0	205.0	205.0	205.0	191.0
Grain mill products	4.64	165.8	165.8	157.9	158.5	170.4
Bakery products	1.85	159.8	159.8	159.8	159.8	163.4
Sugar, khandsari & gur	72.41	197.8	197.6	200.6	194.7	216.7
Sugar, Confectionary cocoa & chocolate	0.53	160.2	160.2	160.2	160.2	160.3
Miscellaneous food products	49.16	195.6	197.7	194.5	186.8	116.3
Edible oils	37.16	186.0	188.0	183.5	175.5	105.2
Oilcakes	9.05	242.9	246.4	247.4	237.8	149.8
Other miscellaneous food products	2.95	170.9	170.7	170.4	171.5	153.2
B. Beverages, Tobacco and Tobacco Products	27.08	**166.6**	**166.6**	**168.1**	**168.1**	**170.0**
Wine industries	6.77	134.9	134.9	134.9	134.9	132.2
Soft drinks	0.82	224.9	224.9	224.9	224.9	224.9
Tobacco manufactured	19.49	175.2	175.2	177.3	177.3	180.9
C. Textiles	110.26	**170.0**	**169.9**	**167.8**	**167.9**	**147.0**
Cotton textiles	81.02	176.4	175.9	173.3	173.7	147.4

—*Contd.*

Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-groups—*Contd.*

(Base 1970-71=100)

ajor groups, groups & sub-groups	Weight in relation to all-commodities	Week Eended				
		11.6.77	4.6.77 (Provisional)	14.5.77	14.4.77 (Final)	12.6.76
1	2	3	4	5	6	7
Woollen yarn & textiles	2.44	210.4	210.4	210.4	210.6	206.2
Silk, art silk & synthetic fibre textiles	12.83	159.8	160.0	160 2	158.1	153.6
Jute, hemp & mesta textiles	12.14	126.2	128.5	125.9	127.4	120.6
Textile products n.e.c.	1.83	195.9	195.9	195.9	192.5	186.4
. Paper & Paper Products	8.51	**182.3**	**182.3**	**182.3**	**182.2**	**180.4**
. Leather & Leather Products	3.85	221.8	221.8	221.8	221.7	220.7
Tanned & cured finished leather	2.95	230.8	230.8	230.8	230.6	226.0
Footwear & other leather products	0.90	192.2	192.2	192.2	192.2	203.1
. Rubber & Rubber Products	12.07	**156.7**	**156.7**	**156.8**	**156.2**	**157.9**
Tyres & tubes	9.84	153.4	153.4	154.6	153.4	156.1
Other rubber products	2.23	171.3	171.3	166.3	166.3	165.9
. Chemicals & Chemical Products	55.48	**172.6**	**172.6**	**172.4**	**171 6**	**169.2**
Basic industrial chemicals	7.26	190.8	190.8	190.6	190.7	191.1
Fertilisers,	12.52	178.5	178.5	178.5	178.5	189.8
Insecticides	1.16	232.7	232.7	232.7	232.7	232.0
Paints & varnishes	1.92	208.0	208.0	207.4	207.4	202.5
Drugs & medicines	9.83	135.4	35.4	135.4	135.4	132.7
Cosmetics, soap & detergents	5.86	169.9	169.9	170.4	170.4	166.4
Inedible oils	1.54	191.3	191.2	194.1	177.1	101.0
Synthetic resins, & plastic materials	8.30	162.4	162.4	162.3	165 8	161.0
Dyestuffs & other chemicals n.e.c.	7.09	185.7	185.7	184.3	184.2	172.0
I. Non-Meatallic Mineral Products	14.15	**190.8**	**190.8**	**190.7**	**190.6**	**190.9**
Structural clay products	1.82	205.4	205.4	207.9	209.0	208.9
Glass & glass products	1.98	194.5	194.5	194.5	189.0	212.0
Earthenware & earthern pottery	0.96	253.3	253.3	253.3	253.3	253.7
Cement, lime & plaster	0.07	174.3	174.3	174.3	174 3	172.1
Miscellaneous non-metallic mineral products	2.32	200.4	200.4	198.0	200.4	190.0
Basic Metals, Alloys & Metal Products	59.74	**193.9**	**192.0**	**191.9**	**191.8**	**189.3**
(Basic metals & alloys)	46.51	194.0	194.0	193.9	193.9	192.3
Iron & steel & ferro alloys	34.73	187.5	187.5	187.5	187.5	186.7
Non-ferrous metals & their alloys	11.78	218.1	213.1	213.0	212.9	208.8
Metal products	13.23	193.7	184.9	184.9	184.4	177.4
Machinery & Transport Equipment	67.18	170.7	**170.2**	**169.7**	**169.5**	**170.8**
Machinery & machine tools	50.45	171.4	170.8	170.2	170.0	171.6
Non-electrical machinery	30.91	175.1	174.2	174.5	174.5	177.1
Electrical machinery	19.54	165.4	165.4	163.4	162.8	163.0
Transport equipment	16.73	168.6	168.6	168.3	168.3	168.4
Motor vehicles & parts	13.73	174.1	174.1	173.7	173.7	173.6
Motor cycles, scooters, bicycles & parts.	3.00	143.4	143.4	143.4	143.3	144.7
Miscellaneous Products	7.20	**173.3**	**173.0**	**173.0**	**173.0**	**165.3**
Wood & wood products	1.74	178.7	177.6	177.6	177.6	160.2
Other mfg. industries n.e.c.	5.46	171.6	171.6	171.6	171.6	166.9

Source : Office of the Economic Adviser, Deptt. of Industrial Development.

Reserve Bank of India

(Rs crores)

Week ended	1976	1977		Variations over		
	June 4	May 27	June 3	Week	Month	Year
Notes in Circulation	7,181	8,141	8,231	90	37	1,050
Notes issued	7,200	8,159	8,247	88	29	1,047
Notes held in Banking Department	20	19	16	—3	—8	—4
Deposits						
Central & state governments	63	267	62	—205	—2	—1
Scheduled commercial banks	677	1,193	1,504	311	75	827
Scheduled state cooperative banks	33	43	30	—13	1	—3
Other banks	3	5	3	—2	—	—
Others	1,876	2,234	2,230	—4	24	354
Other liabilities	2,007	2,548	2,584	36	172	577
Total liabilities/assets	11,839	14,430	14,644	214	308	2,805
Foreign exchange assets[1]	1,593	3,157	3,170	13	179	1,577
Gold coin and bullion	183	188	188	—	—	5
Rupee securities[2]	6,850	7,098	7,093	—5	—54	243
Loans and Advances						
Central & state governments	298	553	503	—50	35	205
Scheduled commercial banks	892	453	662	209	46	—230
State cooperative banks	205	391	369	—22	—50	164
Others	544	659	666	7	10	122
Bills Purchased and Discounted						
Commercial	116	148	134	—14	—30	18
Treasury	317	443	503	60	121	186
Investments[3]	30	334	337	3	21	307
Other assets	811	1,008	1,020	12	31	209

1. Foreign securities plus balances held abroad. 2. Government of India rupee securities including ad-hoc treasury bills.
3. Excluding investments in rupee securities.

Scheduled Banks—Business in India

(Rs crores)

	All scheduled banks			Scheduled commercial banks		
	1976	1977		1976	1977	
	June 4	May 27	June 3	June 4	May 27	June 3
Aggregate Deposits	15,433	19,130	19,192	14,866	18,446	18,51
Demand	6,087	7,339	7,297	5,959	7,183	7,14
Time	9,346	11,791	11,895	8,907	11,263	11,36
Borrowings from Reserve Bank	1,097	838	1,027	892	453	66
Cash and Balances with Reserve Bank	1,036	1,632	1,932	1,001	1,586	1,89
Cash	326	396	398	324	393	39
Balances	710	1,236	1,534	677	1,193	1,50
Investments	4,969	6,241	6,206	4,804	6,042	6,00
Government securities	3,483	4,472	4,393	3,390	4,359	4,28
Other approved securities	1,486	1,769	1,812	1,414	1,683	1,72
Bank Credit	12,220	14,234	14,286	11,446	13,273	13,33
Loans, cash-credits and overdrafts	9,579	12,466	12,547	8,805	11,506	11,59
Inland bills — purchased	944	662	646	944	662	64
discounted	1,196	507	504	1,196	507	50
Foreign bills— purchased	357	395	386	357	395	38
discounted	144	204	203	144	204	20
Cash-deposit ratio	6.71	8.53	10.07	6.73	8.60	10.2
Investment-deposit ratio	32.20	32.62	32.34	32.32	32.76	32.4
Credit-deposit ratio	79.18	74.41	74.44	76.99	71.96	72.0

Source : Reserve Bank of India

Consumer Price Index Numbers for Industrial Workers

(Base 1960 = 100)

	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976				1977			
									Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
ll India	—	177	186	192	207	250	317	313	302	304	306	306	307	310	312	313
hmedabad	130	169	176	181	198	245	305	293	283	281	280	284	286	293	295	294
lwaye	145	197	198	202	215	267	346	358	322	322	328	330	320	311	311	314
sansol	140	178	189	194	206	245	316	317	319	321	323	321	322	326	330	330
angalore	144	183	186	194	212	265	318	332	319	326	335	330	336	342	339	342
havnagar	132	178	186	194	217	273	327	315	301	303	300	298	297	301	305	310
ombay	130	175	182	190	203	233	289	300	298	297	299	300	301	309	309	309
alcutta	131	172	182	187	197	228	288	287	298	306	303	298	297	299	304	306
oimbatore	132	154	163	177	189	218	209	319	213	315	313	312	312	315	310	309
elhi	136	185	199	211	222	265	337	333	335	334	331	332	336	340	345	346
igboi	138	180	189	188	198	234	310	317	310	309	308	310	312	314	319	322
walior	139	184	191	197	214	271	348	324	322	320	314	314	322	330	336	328
owrah	137	176	186	191	206	239	298	290	290	296	300	294	293	298	306	302
yderabad	140	185	189	195	211	251	304	316	304	311	317	321	321	320	320	319
amshedpur	136	170	183	187	202	249	313	293	284	297	297	293	294	299	305	306
adras	134	160	170	182	203	229	301	314	283	287	298	305	398	298	298	299
adurai	128	152	183	192	206	236	334	333	295	303	316	321	315	318	316	313
onghyr	151	188	205	204	225	292	263	325	325	330	322	323	330	331	338	340
undakayam	138	191	197	199	210	263	337	346	305	305	309	310	313	294	287	284
agpur	138	176	187	192	203	256	214	326	305	305	303	295	298	299	303	302
aharanpur	141	181	186	198	213	253	338	313	298	298	298	307	312	317	322	324
holapur	128	176	185	191	216	277	325	342	310	310	320	318	314	315	316	312

Source: Labour Bureau, Government of India.

Consumer Price Index Numbers for Urban Non-manual Employees

(Base 1960 = 100)

	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976				1977		
									Sept.	Oct.	Nov.	Dec.	Jan	Feb.	Mar.
ll India	**132**	**167**	**174**	**180**	**192**	**221**	**270**	**277**	**279**	**280**	**280**	**280**	**282**	**284**	**285**
ombay	132	162	168	172	183	204	241	249	256	256	255	255	256	256	260
elhi-New Delhi	131	168	174	180	190	217	262	273	277	274	273	272	275	278	280
alcutta	126	162	170	174	180	204	238	243	250	255	254	256	254	254	257
adras	133	161	175	188	204	231	291	306	293	296	299	302	301	303	302
yderabad-Secunderabad	133	167	174	180	195	223	270	283	280	283	287	289	292	291	291
angalore	133	164	172	180	194	228	272	284	285	288	293	293	298	301	300
ucknow	132	171	166	174	185	215	255	270	272	274	274	274	279	284	288
hmedabad	131	168	171	173	188	222	271	272	266	264	262	262	263	271	273
ipur	133	176	183	188	205	244	308	311	314	313	316	316	318	321	322
tna	139	180	191	190	199	229	286	284	284	288	286	286	287	286	289
inagar	134	174	184	191	200	215	262	283	298	302	301	302	310	311	311
ivandrum	131	172	178	184	198	231	280	297	302	304	305	308	308	304	302
ttack-Bhubaneswar	142	169	176	184	196	221	266	270	274	278	280	279	277	278	280
opal	133	172	180	188	204	238	295	296	296	297	295	295	301	304	304
andigarh	129	171	178	183	194	217	265	278	286	283	282	283	287	290	290
illong	123	164	166	175	183	208	257	274	270	267	267	268	269	273	273

Source: Central Statistical Organisation.

World food situation in March 1977

THE MONTHLY Bulletin of Agricultural Economics and Statistics, a publication of the Food and Agriculture Organization (FAO) has in its issue of April 1977 discussed the world food situation in March 1977. While it does not provide a clear picture of the food crops in the year-ended June 1977, it sets out clearly the sharp increase in output which occurred in 1975 and 1976.

World food production is estimated to have risen by three per cent in 1976 (Table I). This was the largest increase since 1973; it brought the annual average growth for 1970-76 to 2.4 per cent in comparison with the population growth of 1.9 per cent. The expansion by four per cent in the developed countries was the first major increase there for three years the main factor being the sharp recovery in the USSR. The developing countries, with an Increase of three per cent in 1976, did somewhat less well than the excellent results of the previous year.

The FAO index numbers of per capita food production (Table II) suggest that per head food supplies and consumption in the developing countries improved in 1975 and 1976. Per capita food production in 1976 was at or close to peak levels in each of the developing regions with the major exception of Africa.

TABLE I

FAO Index Numbers of World and Regional Food Production

Region	1971	1972	1973	1974	1975	1976[1]	Percentage increase (+) or deorease (—) in 1976/1975	Annual rate of chang 1961-70	1970-7
	1961-65=100							Per cent	
Developing Market Economies[2]	126	125	129	132	140	146	+4	3.0	2.7
Latin America	128	129	132	138	142	151	+7	3.5	2.8
Far East	126	122	133	131	143	145	+2	2.7	2.8
Near East	127	137	130	141	151	158	+5	3.2	4.0
Africa	121	119	115	123	126	131	+4	2.6	1.5
Asian Centrally Planned Economies	126	125	130	134	138	140	+2	2.9	2.4
Total Developing Countries	126	125	130	133	140	144	+3	2.9	2.6
Developed Market Economies[2]	123	122	125	128	132	134	+2	2.4	2.4
Western Europe	120	119	123	129	127	125	—1	2.3	1.5
North America	124	122	124	126	135	140	+3	2.3	3.1
Oceania	127	126	139	131	141	148	+5	3.4	3.1
Eastern Europe and the USSR	126	126	146	139	131	143	+10	3.1	2.1
Total Developed Countries	124	122	131	131	132	137	+4	2.6	2.3
World	125	123	130	132	135	140	+3	2.8	2.4

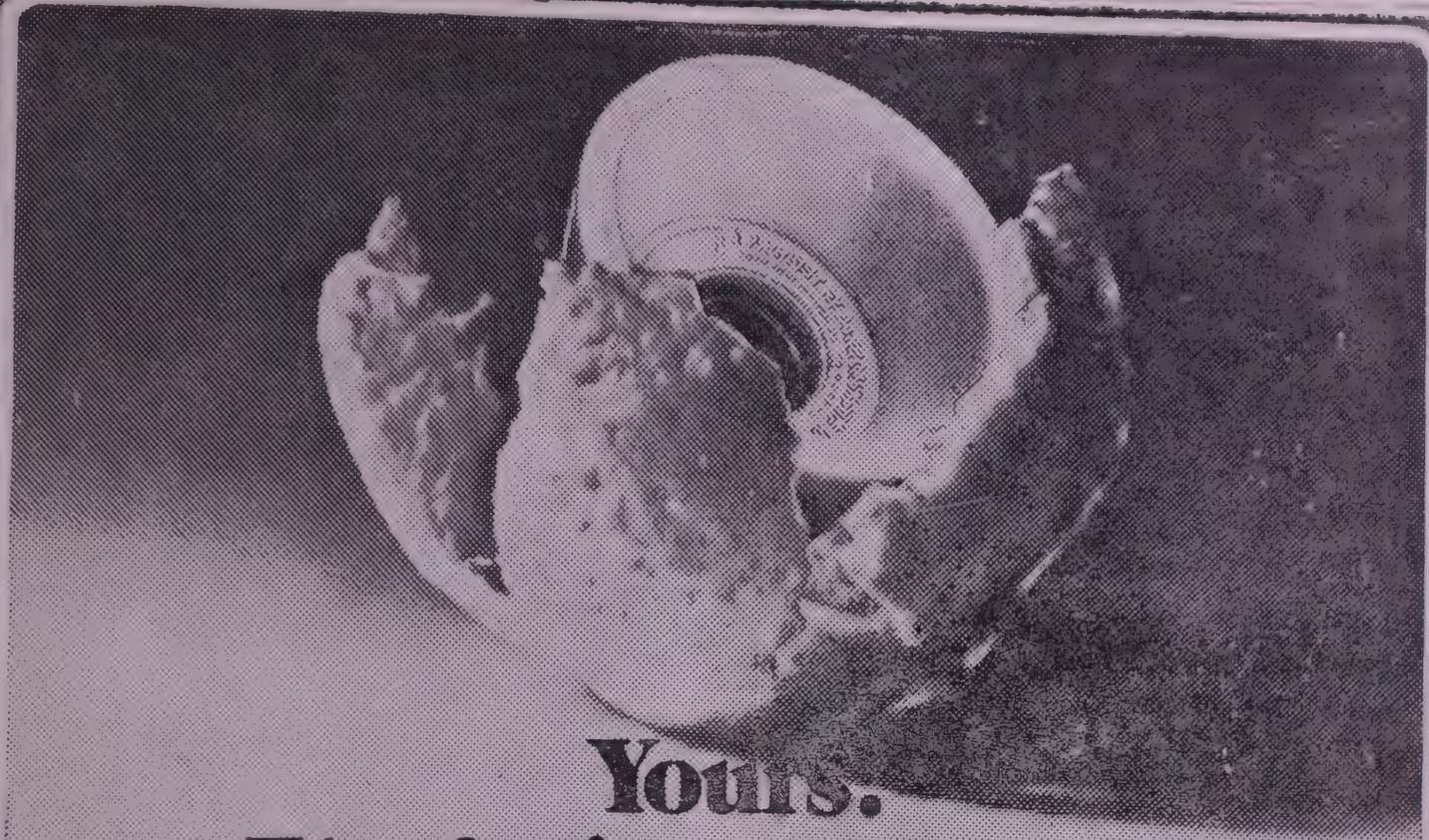
1. Preliminary 2. Including countries in other regions not specified.

TABLE II

FAO Index Numbers of Per Capita Food Production in Developing Regions

Region	1971	1972	1973	1974	1975	1976[1]	Percentage increase (+) or decrease (—) in 1976/1975	Annual rate of chang 1961-70	1970-7
	1961-65=100							Per cent	
Developing Market Economies[2]	102	99	100	100	103	104	+1	0.4	+0.
Latin America	103	101	101	103	102	107	+4	0.7	+0.
Far East	103	97	104	99	106	105	—1	0.2	+0.
Ner East	103	108	100	105	109	109	—	0.5	+0.
Africa	99	95	89	93	93	94	+1	—	—1.
Asian Centrally Planned Economies	110	107	110	111	112	112	—	1.1	+0.
Total, Developing Countries	105	102	103	103	106	107	+1	0.6	—0.

1. Preliminary 2. Including countries in other regions not specified.



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Janata is watching

WITH SO many grey eminences lending their name and prestige to it, the reconstituted Planning Commission cannot but engage the attention and interest of the nation. But, it has to be pointed out, however regretfully, that its first full meeting, held earlier this week, had not exactly been productive of concepts of coruscating brilliance. We had heard before phrases such as "top priority", "overriding priority", etc. We are now being told that agricultural and rural development are to be given "absolute priority".

Many of us have noticed that when phrases become too high-sounding, they tend to give rise to the suspicion that someone somewhere is shouting at the top of his voice, hoping thereby to convince others as well as himself. "Priority", unadorned by any adjective, is in itself a good enough word to convey completely its legitimate dictionary meaning which is "antecedent in time, order or importance". The moment one has said that one is going to give priority to something, one has said all that needs to be said to make clear that one will attend to that 'something' first and then only to other things or that one attaches more importance to that 'something' than to anything else. "Priority", in other words, necessarily implies an order of priorities, i.e., relativity. For anyone to talk of "absolute priority", therefore, is to betray his own lack of confidence in what he is attempting to convince others of.

The green revolution may conceivably be in need of fresh air, but it is by no means obvious that hot air will serve the purpose. If political gas could have launched rural development on its take-off, that would have become airborne and been flying high years ago. We have reproduced elsewhere in this issue an extract from this journal, dating back to May, 1966. It comments on the oratory of the then prime minister and the then minister for Food and Agriculture at a session of the All India Congress Committee held in Bombay. Mrs Gandhi and Mr S.K. Patil had spoken of a brave, new world of agricultural and rural development with an eloquence which Mr Charan Singh might envy but cannot emulate. Mr Patil touted the resolution on agriculture sponsored at that session of the AICC as a Magna Carta for India's peasantry. He conveniently forgot to mention that the sanction behind the historical Magna Carta was the power of the nobles who could compel a king to sign it. Magna Cartas, in other words, are not granted but exacted.

In 1966, Mrs Gandhi and her government were merely promising a boon. The year 1977, however, is not 1966, but is, hopefully, the year of the janata. The people have become hard-headed and clear-eyed. Their reaction would be to prick any boon to make sure that it is not a mere balloon. They will have no use for a gift horse until they have looked it in the mouth. The new Planning Commission has pledged itself to labour for a very substantial reduction in unemployment and for making drinking water, education and health—besides food, clothing and shelter—available for a substantial portion of the population below the poverty line. The janata may not question its good intentions, but it is not going to commit itself in advance to accept the word for the deed.

If the sixth Plan is to be a true plan for the vast janata of this crowded country, it will have to be a big plan. It cannot therefore be a job for small men. The Planning Commission will really have to think big if it is not to look small in the eyes of the janata. It cannot allow itself the luxury of obsolescence of the mind. There are miles to go—and there is no mileage at all to be got out of obscurantism.

Coal in a hole

THE COMFORTABLE coal supply position of last year, which resulted in efforts being made at exporting increased quantities of this fuel not only to the neighbouring countries of Sri Lanka, Burma, Bangladesh and Nepal but also to some west European countries, is reported to have deteriorated considerably in the recent months. Complaints are multiplying from industrial consumers that supplies of steam coal from east India have been scaled down as a result of the reduction in allocation of wagons since about the middle of May to approximately 50 per cent of their requirements. This is despite the fact that the economy has still to recover fully from the setback it suffered in 1974-75 and early 1975-76 and the growth in industrial production this year may be kept up with some difficulty to the last year's level of about 10 per cent. It is feared that unless energetic steps are taken immediately, the situation may assume serious proportions in the coming months when raisings of coal are usually suspended at a number of collieries owing to their being flooded by monsoon waters.

drop in production

The primary reason for the deterioration in the coal situation is stated to be a serious drop in production. In the Jharia belt of Bharat Coking Coal Limited, the output during April and May this year is said to have been significantly lower than the targets for the two months. The production trends at various other collieries, particularly those meeting the requirements of general industrial consumers, are said to be no better. Between January and May, the overall decline in output is reported to have been of the order of nearly 20 per cent. The allocation of wagons by the railways, consequently, has been progressively going down. Not only that. The number of empty wagons waiting for loading has been going up. So far as the general industrial consumers are concerned, the daily offerings of coal for loading from the Asansol and Karampura fields which were of the order of 1,725 wagons in February last and 1,743 wagons in March, went down to about 1,600 wagons in April and just about 1,375 wagons during the first half of May. This compared with the average daily offerings of 1,830 wagons in 1975 and 1,650 wagons in 1976.

below standard

The above level of offerings in April and May is further stated to have been feasible only by mixing increased quantities of shale and dust in the coal supplies. As a result, the steam coal requirements of general industrial consumers, which in physical terms recently were fulfilled to the order of only 55 per cent, actually could be met barely to the extent of about 45 per cent (after the removal of shale and dust). The fears about the coal situation assuming serious proportions during the monsoon season have their genesis in the fact that normally April-May and June are the months when stocks are built up at pitheads to maintain despaches during the monsoon season. Since pithead stocks currently are not sufficient even to cater for the normal loadings, the availability of coal during the rainy months cannot but suffer further.

The doubts being expressed in some circles about the last year's production of coal slightly exceeding the previous year's output of approximately 100 million tonnes may be unwarranted, because the coal supply position last year, indeed, was quite comfortable and it was possible to built up large inventories not only at the steel plants but also at power stations and such other bulk consumers of coal as cement factories. But it appears in retrospect that the decision to scale down the target from 108 million tonnes to a shade higher than 100 million tonnes last year was a retrograde step in the sense that it induced complacency on the part of the management. Although this year [illegible] put is envisaged to be stepped up to 10[illegible] million tonnes, a grievous shortfall i[illegible] production cannot be ruled out on th[illegible] basis of the trends witnessed so far.

Some setback to production this yea[illegible] obviously could not be ruled out as th[illegible] lifting of emergency in February could b[illegible] expected to result in an increase in strike[illegible] in the coalfields, as elsewhere in the coun[illegible] try. But the situation seems to have bee[illegible] aggravated in the main colliery areas b[illegible] inter-union rivalries and the emergence o[illegible] a sizeable number of independent union[illegible] under freelance leadership. The genera[illegible] law and order situation in these areas o[illegible] West Bengal and Bihar too is stated to hav[illegible] deteriorated markedly. It remains to b[illegible] seen how far it would improve as a result[illegible] of the new governments assuming charge[illegible] in these states. This is because the trad[illegible] unions in the coal belt undoubtedly hav[illegible] strident political overtones.

escalating price

The physical supplies of coal as well a[illegible] its quality are not the only headaches o[illegible] the consumer industries. They are als[illegible] perturbed over the pressure from Coa[illegible] India Limited (CIL) for a significant rais[illegible] in prices, even though since the national[illegible] sation of the industry in two phases i[illegible] 1971 and 1973, the average price at th[illegible] pitheads has gone up by over 250 per cen[illegible] The average per tonne price at pithea[illegible] worked out to Rs 35.68 in 1970, Rs 35.8[illegible] in 1971, Rs 35.88 in 1972, Rs 36.63 [illegible] 1973, Rs 47.53 in 1974 and Rs 50.56 [illegible] January-June, 1975. The price was jack[illegible] up by as much as Rs 17.50 per tonne [illegible] July 1, 1975. This was exclusive of t[illegible] royalty and cess which, contrary to t[illegible] earlier practice, was to be paid by t[illegible] consumers separately. The revision [illegible] grades based on the useful heat value h[illegible] also resulted in bringing certain types [illegible] coal of lower grades into higher grades[illegible] a consequence of which certain consum[illegible] have to pay for their requirements m[illegible] more than even the escalated price. T[illegible] consumers in the areas distant from [illegible] main coal belt also have suffered [illegible] freight account as a sequel to the grad[illegible] withdrawal by railways in the last [illegible] years of the concessional telescopic fre[illegible] rates. The consumers within a radiu[illegible]

about 100 km from coal mines have to pay more freight as movement of coal in these areas is being done by road.

To some extent, the increase in the prices of coal and its haulage charges by railways was inevitable. The railways undoubtedly were incurring sizeable losses on the movement of coal and the cost of production of the nationalised coal industry went up markedly due to such factors as the implementation of the wage board award which had remained unimplemented at the hands of many private colliery owners before nationalisation, the increases which had to be given in the dearness allowance of workers as the cost of living went up sharply in 1974 and 1975, rationalisation of the salary structure of miners to equate it with the structure in the other major industries, escalation in the prices of non-labour inputs, the perforce resort to deeper mining in the interest of more judicious exploitation of coal reserves, improving of safety measures, etc. The production costs of CIL are estimated to have gone up since 1973 by as much as 122 per cent. This increase obviously had to be reflected in the increased prices of coal.

sizeable losses

According to CIL sources, the weighted average pithead sale price of coal since 1973-74, however, has been put up by only 77 per cent and the price of soft coke, which is used as domestic fuel, has not been allowed to be raised. (This weighted average does not take into account the extra payments being made by the industrial consumers to which reference has been made above and also does not reflect the increase in coal prices up to March 31, 1974.) The result has been that the undertaking has been incurring sizeable losses year after year. In 1975-76, the loss of CIL was of the order of Rs 27.93 crores.

There, of course, is no denying the fact that CIL has been able to curtail its losses through improvements in productivity; the 1975-76 loss was nearly Rs 32.12 crores lower than the loss in the previous year. The output-per-manshift is stated to have gone up from 0.55 tonne in 1973-74 to 0.67 tonne last year. This alone is said to have resulted in an economy to the extent of Rs 100 crores. The annual savings effected in the other items of expenditure are stated to have been of the order of Rs 30 crores. Consequently, the per tonne production cost is said to have gone down from Rs 78.43 in 1973-74 to Rs 71.52 in 1976-77. While these trends can be said to be encouraging, there apparently is considerable scope for further progress in these spheres. The chief of finance of CIL, Mr R.C. Sekhar, himself admitted a few days ago while explaining to newsmen in Calcutta the reasons for the continuing losses of his undertaking, that a new financial policy had to be devised a few months back to control and reduce costs further, ensuring at the same time, of course, that neither the miners were exploited nor the coal resources were wasted. Very significantly, he observed, that the new policy aimed at raising the output-per-manshift to 1.1 tonnes in the next few years from 0.67 tonne last year. This is a clear indication of the fact that the productivity at present, even after significant improvements in the last few years, leaves much to be desired. There are also reports of unhealthy practices of good quality coal being moved from pitheads, sometimes unauthorisedly, by road transport and of various other unnecessary expenditures being incurred. If concerted efforts are made to control this expenditure and to eradicate malpractices, the profitability of CIL, indeed, can go up significantly.

Although the union Finance minister has thrown a hint that the major public sector enterprises will have to find their own resources for future development through rational changes in their pricing policy and streamlining of their operations, it remains to be seen whether the prices of coal would be allowed to be put up in the near future to wipe out the losses of CIL. This is because high priority is being accorded by the government to the containment of the prices spiral.

It may be mentioned in this regard that part of the increase in the expenditure of CIL recently can be attributed to such factors as the unnecessary interest charges the undertaking had to incur on account of a substantial increase in arrears of payment by the bulk consumers. Another reason is the increase in development expenditure which CIL has incurred during the last couple of years with a view to attaining the fifth Plan production target, which on current indications appears to be considerably in excess of the demand expected to materialise in the next two years. While it is true that in such fields as energy, we have always to aim at some marginal surpluses instead of marginal shortages, the developmental expenditure of CIL will have to be closely related to the likely trends in consump-

EASTERN ECONOMIST BUDGET NUMBER 1977

This special issue, dated June 24, 1977 is wholly devoted to an objective, in-depth analysis of the first central budget of the Janata government. It gives credit where credit is due, but pulls no punches in its critical treatment of the policies and decisions of the budget in their relation to the pledges and programmes of the Janata party, the demands of the economy and the aspirations of the people. Carrying the relevant budget documents and illustrated with charts and graphs, the Budget Number which is priced at Rs. 10 per copy, will be available to our regular subscribers without extra charge. New subscribers, who enrol themselves retrospectively from the issue dated June 3, 1977, will also receive their copy of the Budget Number.

The Manager, Eastern Economist Ltd.,
UCO Bank Building, Parliament Street, New Delhi-110 001.

tion of coal during the next five or six years so that unnecessary locking of funds can be obviated. This alone should help in containing production costs of CIL.

As a matter of fact, further exploitation of the coal reserves already developed during the last two or three years, which has not been possible because of the demand not picking up according to expectations, should assist in bringing down production costs. If CIL still incurs some losses, it should be appropriate to subsidise it to that extent so that the multiplier effect on the economy of an increase in coal prices can be contained. Mention may be made in this regard to the successive increases effected during the last few years in the freight rates and passenger fares of railways on the plea of bridging the gap between their revenue and expenditure. But once the traffic on ralways has gone up, as it did last year, they have started throwing up sizeable surpluses.

expected surplus

The last year's surplus, which according to the revised estimates presented early last month has already gone up to Rs 65 crores from Rs 35.67 crores estimated in March last and just Rs 8.98 crores at the time of the presentation of the railway budget in February, 1976, is expected to go up further, according to the indications available, to over Rs 70 crores. Without changing the passenger fares and freight rates this year, the new Railway minister, Mr Madhu Dandavate, has estimated the surplus for the current year at Rs 32.5 crores. A fuller exploitation of CIL mines can be expected to yield similar results.

Enhanced emphasis on raising the production of coal, however, does not imply that safety measures can be ignored. As a matter of fact, improvement in safety measures itself should help in raising production significantly. As the union minister for Labour, Mr Ravindra Varma, pointed out last month, while addressing the industry-wise tripartite meeting on safety in mines, the safety measures in the mining industry as a whole leave much to be desired. The state-owned mines could be expected to be models of safety and safety regulations there could be observed with exemplary meticulousness. But as this conference noted, the statistics of accidents in the state-owned mines did not fully justify this expectation. Undoubtedly, there has been some reduction in the number of serious accidents. But a significant breakthrough, it was felt, has yet to be achieved. Both the management and workers obviously have a great stake in safety in mining operations. They have to work together in this sphere.

Commonwealth for common good

BESIDES DISCUSSING the tense political situation currently prevailing in South Africa, Rhodesia, Uganda and Cyprus, the leaders of the Commonwealth countries who met in London last month, devoted considerable time to the problem of bridging the gap between the world's rich and poor nations. Our prime minister, Mr Morarji Desai, drew the attention of the conference to the tragic poverty of 650 million of the world's people who "live on an annual income of not more than $50 per head". He described it as "the most serious challenge of our age and our leadership" and asked the Commonwealth members to seek answers which would make possible easing of the burden of life for the poor in the world.

Both Mr Desai and Mr Datuk Hussein Onn, the prime minister of Malaysia, called for the adoption of a special programme to reduce the misery of the poor of the world. Not unexpectedly, the members dispersed after marathon deliberations with hardly any satisfactory results to show. In the closing stages of the conference, the British prime minister, Mr James Callaghan, announced an increase of £1.2 million in Britain's contribution to the Commonwealth Fund for Technical Cooperation (CFTC) from £1.8 million this year to £3.0 million next year. He also reminded the members that the UK, despite its economic problems, had increased overseas aid from £566 million last year to £679 million (equivalent to $1.2 billion) in the current year. Two-thirds of this aid was reserved for the poor countries—those having annual income of less than $200 per head.

While the members of the conference appreciated what Britain was trying to accomplish by way of aid, they were highly dissatisfied with the rich countries as a whole for their failure to take such measures as would result in lifting the level of living of the poor of the world. In an emphatic manner, Mr Datuk Hussein Onn urged the industrialised countries to "develop a wider horizon", and to assist in the achievement of the following objectives within a specified timetable: (a) early establishment of a Common Fund to stabilise commodity prices; (b) extension of the benefits of the EEC's Lome Convention to other Commonwealth members; (c) effective liberalisation and enlargement of the IMF compensatory financing facility; (d) adoption of guidelines for the generalised solution of the developing countries' debt problems; (e) agreement on the need to identify a practical list of specific industrial products for priority manufacture in developtng Commonwealth countries for re-export to the markets of the developed countries; and (f) increased food production and rural development programmes.

Mr Vajpayee's complaint

The failure of the North-South dialogue at Paris (May 30—June 1) did cast a shadow on the Commonwealth conference. A majority of the members were of the view that most of the rich countries were more concerned with increasing further the already high standard of living of their people rather than helping the poor nations. In a lecture to the Royal Commonwealth Society, Mr Atal Behari Vajpayee, minister for External Affairs, accused the rich countries o

'preventing the transfer of resources to countries where the raw materials exist, and on which the rich countries' standard of living depends".

Dilating upon the questions of transfer of resources and energy supplies in the world, Mr Michael Manley, the prime minister of Jamaica, asked the rich Commonwealth members to support the creation of a new $25 billion special fund for investment in new sources of energy. He expressed the view that this sum should be channelled through the World Bank and should be provided by the industrialised countries and the OPEC at the rate of five billion dollars a year for the next five years. "Unless substantial extra funds are channelled into institutions such as the World Bank, existing resources would be increasingly diverted to energy needs, leaving the other great problems of economic and social development more under-financed than at present", added Mr Manley. Going by newspaper reports, he drew a blank because most of the rich members opted for reserving their judgement on this proposal.

buying time

The reports and documents relating to the level of poverty in the less-privileged countries of the world are available in abundance from the UN agencies, but the Commonwealth has not lagged behind in its effort at documentation. A 10-man Commonwealth group of experts was set up at the time of the Kingston (Jamaica) conference in 1975 and Mr Alister McIntyre, secretary-general of the Caribbean community, was appointed its chairman. The final and consolidated report of the McIntyre committee was made available to the members and some discussions were held, but the contents of this report have not been made public so far. It appeared that the members had different views on a number of proposals, made by the McIntyre committee. Among many other proposals, the members considered the specific idea of setting up a Commonwealth working group of technical experts "to define more closely the various proposals for establishing a common fund for commodity agreements". Surely, the new working group will need a few months to produce its report, and this in itself is a very clever move to buy more time. The plethora of reports is hardly going to help the poor of the world. The rich countries are in fact playing a game of keeping the poor countries busy with conferences, seminars, and working groups without meaning to yield ground in substance.

In the meantime, the IMF has produced an analysis of the debt position of the developing countries which is alarming. The total debt of developing countries by the end of 1975 grew to $175 billion, representing a rise of 145 per cent since the commencement of the current decade. The low-income countries including India, Pakistan, Bangladesh, Zaire, Tanzania and Kenya were the hardest hit because the outstanding debt in their case multiplied more than 14 times from $ 2.6 billion to $36.0 billion during the same period.

The part played by Mr Desai at London in pleading for the cause of the poor nations of the world is indeed commendable. For the developing countries, Mr Desai said, it is not a question of recovery but one of survival. The non-oil-exporting countries in particular are in a predicament. Their rate of growth in the first six years of the current decade has been lower than the one witnessed in the first development decade. The absence of urgency on the part of the rich nations to come to the help of the poor ones is no doubt a disconcerting phenomenon. It is in this context that the call for the new economic order in the world has great relevance today. "The new economic order is not the culmination of our efforts but the beginning," said Mr Desai. He politely asked the member countries if a beginning in this regard could be made for the good of all—the rich as well as the poor.

West Bengal for Left Front

WITH THE resounding victory of the Left Front in the recent election to the state assembly, West Bengal seems assured of a stable government for the next five years. Out of the 293 seats (election in one constituency was countermanded due to the death of one candidate), the results for which were announced by June 20, the CPI(M) secured 178 seats, other left parties 52, Congress 20 and Janata 29. The success of the CPI(M) was, of course, due to its stronghold among workers, peasants and the middle class, the excellence of its organisation and the discipline and dedication of its members. Evidently, the electorate was not impressed with the argument that if the Left Front came into power, the state would once again relapse into anarchy with its serious repercussions on the economy. The poor performance of the Janata party is not surprising since it has no strong organisation and its leaders did not work unitedly for its success. But the rout of the Congress indeed has been unfortunate and unexpected. It is significant that even the Revolutionary Socialist Party and the Forward Bloc secured more seats than the Congress!

What contributed to the decisive defeat of the Congress? Complacency, personal and political differences of a serious nature, and, above all, jealousy, intrigue and fighting among the Congress leaders seemed to have brought about the party's downfall. It will, however, be wrong to conclude that the defeat of the Congress indicates the electorate's disapproval of its performance and policies. The Congress government in West Bengal had done a great deal to restore normalcy and revive the state's economy which had been shattered seriously by the United Front regime. It was by no means a small achievement for the Congress ministry to have effectively put down lawlessness which had been rampant for a few years prior to 1972 and to create a climate congenial for economic growth. It also succeeded in wiping out all past deficits and in producing surplus budgets and had substantially stepped up the outlay on the Plan programmes. But these and other achievements of the Congress did not seem to have produced a favourable impression on the electorate. It is, however, significant that only less than 50 per cent

of the electorate exercised their franchise in the assembly election.

Mr Jyoti Basu, the new chief minister, has assured that his government will try its best to provide a clean and sound administration and tackle the economic problems of the state with urgency and realism. In some respects, his task will be easier because of the absolute majority that his party holds in the cabinet, the absence of a strong opposition, and the relatively improved situation of the state's economy. He can also expect close cooperation from New Delhi. Mr Basu's government, however, has to act with speed in tackling the major problems like rising prices, unemployment, reopening of the closed industrial units, revival of the sick ones, expansion and modernisation of industries, and establishment of new units.

If Mr Basu's government can do something to ease the power situation in the short period, it can greatly help to improve the state's economy. The various aspects of this problem have been discussed on numerous occasions between industry and the government and several solutions have been offered to tackle it. But so far no effective and systematic steps have been taken to provide industries even some temporary relief. Mr G.D. Birla told the golden jubilee session of the FICCI in April that in West Bengal power cuts, like death, occurred suddenly without any warning. This situation continues even now. The state government, therefore, should take immediate steps to stop unscheduled power cuts. It should bring about better efficiency among the generating agencies, avoid frequent breakdowns in the power plants, provide industries with incentives to transfer more load to night, obtain surplus power from Orissa, arrange to install gas turbine sets in the Calcutta area, and help the Calcutta Electric Supply Corporation to obtain the necessary financial assistance for its expansion scheme. The state government should also assess the requirements of power on a long-term basis and take appropriate measures to make it adequately available. If Mr Basu's ministry succeeds in solving the power problem, it will have made a significant contribution to the development of West Bengal's economy. If the immense natural resources of the state are effectively utilised, it will greatly help to create more opportunities for employment which is one of the most important problems which require the government's earnest attention.

Mr Basu's government should maintain close liaison with industrial organisations so that their experience and expertise can be used to accelerate the state's industrial growth. In recent months, many entrepreneurs have shown interest in setting up new industries and also in substantial expansion of the existing ones. But because of the power shortage and the lack of initiative on the part of the Department of Industry of the Congress ministry, most of these proposals could not be implemented. The central budget for 1977-78 contains several provisions for reviving the sick industries, for stimulating the growth of agriculture, for developing rural areas and for generating more employment. These provisions are of particular interest to West Bengal. If therefore the state government follows realistic policies especially in regard to labour matters, it will facilitate the achievement of faster economic progress. West Bengal has more backward districts than other states and its problems of poverty and unemployment are staggering. It is only by the combined efforts of the state government and industry that West Bengal can hope to march to prosperity in the coming months.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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Dissecting the dissectors

THE PROGRESS in the field of animal husbandry in recent years had called for the supply of trained technical personnel at different levels. For instance, the programme aiming at the eradication of common diseases among cattle requires the establishment of a number of veterinary dispensaries all over the country, which have to be manned by qualified veterinary doctors. It was to make such a programme a success that the Karnataka state established its only veterinary college in Bangalore in 1958, which, over the years, has trained a number of graduates going through a five-year degree course. It appears that the college faced the problem of too many students failing to complete their studies within the normal time. Consequently, the manpower and employment unit of the department of planning in the Karnataka government was asked to conduct a study assessing the efficiency of the veterinary college. The study, released recently, tried to measure the extent of the wastage, and also to locate the causes of this malady.

conserving resources

It has been observed that an important way of conserving scarce resources was that students going to professional educational institutions should be able to complete their studies in the minimum period of time. Wastage took place either when the students discontinued their studies before completing them or prolonged their studies beyond the minimum period. In the former case it was the underutilisation of developed facilities, while in the latter it was the blocking of the capacity which could be utilised for training more students. Such wastage delayed the availability of trained manpower to the nation.

The study reveals that nearly seven per cent of the students dropped out during the first year of their college, which though was not encouraging, could not be considered very unnatural too. The possibility of seven per cent of the students finding the veterinary science rather unsuitable to their temperament should not be ruled out. The dropouts could also be due to the fact that they got admission to some other courses more suitable to them. Such a loss could be avoided by a proper selection of students who had real aptitude for the course. If the government of Karnataka had been anxious not to suffer this regular loss of seven per cent seats in the first year, it could as well admit seven per cent additional students so that on an average the loss was made up in the initial stages.

It is significant to note that during all the sessions from 1966-67 to 1971-72 not a single student dropped out from the second year to fifth year, when the final examination took place. Moreover, if only 56 per cent of the students passed their final examination in five years and another 12 per cent in six years, the performance of the college could not be considered discouraging. A professional college where students faced five examinations in five years, could not be expected to show a 100 per cent result under any circumstances. If a proper standard of training had to be maintained, as many as 40 per cent of the students putting in more than the minimum required time should not shock the college.

However, what looked really disturbing was that there were 67 students who had stayed even after seven years in college. In fact as many as 29 students had stayed in the college for more than nine years. These students who had shown exceptionally bad record had not only failed to become usesful for the country, but also had blocked the way for additional students. Possibly these students who were staying in the college for so many years had caused a reduction in the annual intake from 80 in 1967-68 to 50 to 1968-69.

The study should have gone deeper to assess the reasons for the failure of these students to complete their course in even nine years. In other professional colleges a student who failed to clear a certain subject in his first attempt wae allowed to move into the next class but was expected to clear the subjects remaining from the previous year by extra hard work. In all professional colleges, students were given additional chances, at least twice in a year, to be able to clear their remaining subjects. The veterinary college must also learn from the experience of other professional colleges where a student faced expulsion from the college if he did not clear any one subject in three or four attempts. Only such a threat to the students would force them to put in sufficient hard work to clear their course within a certain period and not to linger on in a professional college for a period approaching a decade.

Eastern Economist 30 Years Ago

JULY 11, 1947

The Indian Empire, as known to the law, has been in existence for a little over 70 years. Much of the praise with which the parliamentary act of 1876, adding to the title of the Queen, was received has proved to be premature and unrealistic. 'Nobody who now reflects on the trend of the twentieth century towards a distinct and autonomous India federated under the Crown,' it has been said, 'can deny the strangely forward-looking quality of Disreali's thought'. But the liberals' gloomy prophecies regarding the consequences of changing the title, (they pointed out that Louis Napoleon's Empire was ill-fated and short-lived), rather than Disraeli's dreams, if any, have now been realised. The Independence Bill, (which is scheduled to become law by the 20th July), breaks completely with tradition.

The operative sections of the Bill, namely, sections 6 and 7 are brief and categorical; the latter section is in fact without any constitutional precedent anywhere in the world. In several respects, the Indian Independence Bill is refreshingly simple. It does not tie down the new Governments (as the Irish Treaty of 1921 tried to do in the case of Ireland), to the constitutional status of the Dominions. It makes no attempt to reconcile the resolution passed by the Indian Constituent Assembly in favour of an independent sovereign republic with the recognition of the crown.

Indira Gandhi and Eastern Economist

WITH A dash of feminine logic, the prime minister, speaking at the AICC session in Bombay, proffered a proposition which was evidently designed to bring equal satisfaction to the "wind-of-changers" as well as the "no-changers" in the Congress party. She denied that the government was departing in any way from the policies or programmes of the Nehru period, but she also declared that the government would certainly not hesitate to strike out new paths should that become necessary in the national interest. Mrs Gandhi, in other words, attempted to have the best of both worlds. This, of course, is the occupational privilege of the politician. Indeed the entire AICC session was an exercise in pre-election politicking. A resolution purporting to be on Economic Policy restricted itself to what has been advertised as a new deal for farmers. Agriculture, of course, is of primary importance in our present scheme of things, but it does not mean that there are no other grave problems bearing on the immediate future of our economic progress. Congress leaders, whether in government or outside, are surely aware that, while a good monsoon or two could be expected to improve matters, even if temporarily, in the agricultural field, no such relief or rescue is to be hoped for in other areas of the economy, notably the industrial. Yet there was virtually a conspiracy of silence at the AICC session regarding the slackening of activity or expansion in sectors of the economy other than the agricultural. Quite obviously, the Congress leadership seems to have decided that there is more to be reaped in terms of election dividends by investing in crocodile tears over the lot of the farmer than by investing thought in a concrete and comprehensive programme for the rejuvenation of the economy in all its aspects.

That irrepressible demagogue, Mr S.K. Patil, had described the AICC resolution as a Magna Carta for the farmers of our country. Even a politician's cynicism can hardly go farther. What does this so-called Magna Carta promise or pledge? There is reference to further liberalisation of short-term loans to agriculturists through co-operative societies and governmental agencies. It has been stated also that medium-term loans repayable over a period of from five to seven years should be provided for agricultural operations, such as minor irrigation or soil conservation, which might result in increased production within a period of two years. Finally,—and this seems to have captured Mr Patil's riotous imagination most of all—the resolution recommends early steps for providing insurance for crops against natural and other unforeseen calamities,

From the leading article captioned **"Words and Window-Dressing"** which appeared in the issue dated May 27, 1966.

particularly in view of the fact that intensive agricultural programmes involve large investments on the part of the community as well as individual agriculturists . . .

It is obvious that there is nothing new in these suggestions. They have in fact been before the central or state governments from time to time for policy decisions or administrative implementation. Surely, these are not matters which have to be proclaimed by a beat of party drums. That stuffing the resolution with such details should have been the main business of a three-day session of a top assembly of the nation's ruling party is a sad indication of the bankruptcy of imagination or sincerity on the part of its leaders.

Apart from its lack of real significance or relevance to the economic challenges before the nation, the resolution betrays the guilty conscience of the ruling party in more than one place or passage. For instance, the resolution opens with an expression of concern over "the severe hardships that the people have been facing because of unprecedented drought and other economic difficulties during recent months" and proceeds to voice its appreciation of the fact that "the situation has also brought out in relief the splendid mettle of our people". As a reference, in part or whole, to the miseries suffered by men, women and children in the famine-stricken areas of Orissa, this observation has a contemptible, Pharisaical ring to it. When it is the case that the poorest of our poor had been left for some seven disastrous and despairing months to battle with starvation, while a venal and inefficient state government would make no more than formal gestures of relief, how can politicians, who expect to be respected and trusted by the nation, allow themselves the tongue-in-the-cheek luxury of talking patronisingly of the "splendid mettle of our people"? This surely is adding insult to injury. It is, indeed, shameful that the resolution contained not a word about the culpable failure of the government of Orissa, especially when, as the observations of the minister for Food and Agriculture at the "Meet the Press" feature of All India Radio broadcast on May 25 indicated, the central government is convinced that there has been a complete and colossal administrative failure on the part of the state government in organising adequate famine relief in time. Surely, the attitude of the ruling party would have been different had there been a Communist or Swatantra government functioning in Orissa.

The people, however, cannot and must not accept a situation in which the political convenience of the ruling party should be the criterion for enforcing the accountability of administrations whether at the centre or in the states. Here perhaps is a case where the President of the Republic —now presumably in the closing months of his tenure—could take blessed advantage of his high office to order an inquiry into the responsibility of the Orissa government for allowing mass distress to develop to such an acute extent in the drought-afflicted areas of Orissa. If he fails to do so, the clear implication would be that our people's lives are not safe in the hands of the more inefficient of our state governments and that we, as a nation, just have no remedy for this evil.

CAPITAL'S CORRIDORS

R. C. Ummat

New approach to planning • Output of non-ferrous metals

THE FIRST full-fledged meeting of the reconstituted Planning Commission, held on last Sunday under the chairmanship of the prime minister, Mr Morarji Desai, has set the goal of a substantial reduction in unemployment by the end of the sixth Plan period so that unemployment can be fully eradicated in the subsequent five years of the seventh Plan. Increase in employment opportunities, it is thought, would automatically result in a very substantial reduction in the number of people below the poverty-line. The two other objectives set for the Planning Commission in drawing up the next two Plans are : (i) provision of essential needs for all by the end of the seventh Plan, and (ii) reducing of disparities.

The prime minister, who set the tone of the discussions at the above meeting, called for a completely fresh approach to planning and emphasised the role of the participation of people in the planning process. He further stated that the pattern of development should be dispersed and attuned to the aspirations of the people. Agriculture and rural development programmes should have the highest priority and an attempt ought to be made to ensure that the benefits of planned investments percolated even to the smallest producers, farmers and landless labourers.

local resources

The emphasis in the Plan, the prime minister stressed, must be on full utilisation of local resources. The small, cottage and village industries, which had not been adequately supported in the past, should be provided particular attention. The education system should aim at building qualities of self-confidence, self-reliance and character. In fact, it ought to be made the main instrument of social change. The living conditions in villages, he said, had to be improved so as to reduce the drift of population to urban areas.

Briefing newsmen after the meeting, the new vice-chairman of the Planning Commission, Prof. D.T. Lakdawala, pointed out that the sixth Plan would be different from the earlier Plans mainly because of its emphasis on (i) reducing unemployment so as to attain the goal of full employment by the end of the seventh Plan, and (ii) catering for the essential needs of all. It would lay great stress on the development of agriculture and irrigation facilities and also on rural industries. In the interest of ensuring the full use of local resources, both human and material, it was proposed to adopt area approach to planning.

alternative technologies

A number of studies are envisaged to be taken up and completed within the next three to six months in regard to the cost of alternative technologies with a view to recommending the appropriate skills and techniques of production in the major productive sectors in which the potential for employment generation is high. The policies needed to ensure the adoption of appropriate methods of production would also be indicated to the government.

An approach paper for the sixth Plan is proposed to be got ready for public discussion by March next year. This would be preceded by a number of preliminary papers on Plan formulations and reviews of relevant economic policies. The work on the preparation of the annual Plan for 1978-79 is also proposed to be taken up immediately and completed by next February. The planning strategy worked out for the sixth Plan will also guide the next year's Plan programmes. The sectoral priorities are envisaged to be adjusted in the next annual Plan to the extent possible. The whole strategy of the new government, of course, may not be fully reflected in the next year's Plan as there are technical difficulties arising out of a large proportion of the Plan expenditure having been already committed on a continuing basis.

In the interest of ensuring that the essential needs of the entire population are met on an increasing scale in the coming years, the public distribution system is proposed to be extended to cover at least 40 per cent of the population in regard to foodgrains, vegetable oils, some varieties of cloth, sugar and kerosene. The expansion of public distribution system will be done in such a way that it will increasingly cover the targeted vulnerable population of the country. The approach towards provision of roads in the countryside, schooling for children, drinking water and health services is proposed to be reoriented similarly.

common programme

Eight industries have already been identified for the adoption of common production programmes in the large-scale and small-scale sectors. These include textiles, grain milling, sugar, ceramics, leather, vegetable oil crushing, light metal fabrication and wood processing. The role of the small-scale sector in these industries is proposed to be extended.

According to the national sample surveys conducted during the recent years, while the chronic unemployment in the country is estimated at two per cent of the labour force, eight per cent of the labour force is estimated to be either without employment or only partially employed. Two steps are proposed to be taken for manpower planning. These are: (i) provision of incentives for channelling young men into areas in which there is likely to be shortage of manpower and introduction of disincentive schemes in fields in which the availability of manpower exceeds requirements; and (ii) re-classification of the educational qualifications for specific jobs.

Emphasis in future planning is to be on the fixation of physical targets and co-relating of expenditure to the achievement of these targets. In the interest of ensuring adequate availability of mass consumption

goods as well as for containing the fluctuations in their supply owing to fluctuations in domestic production, a buffer stock policy has already been decided to be introduced in the case of several commodities.

* *

A substantial step-up in the production of non-ferrous metals is envisaged during the current financial year over the last year's levels which in themselves recorded a significant improvement over the output in 1975-76.

The production of aluminium metal, which had increased from 187,276 tonnes in 1975-76 to 208,687 tonnes last year, is proposed to be raised this year to as much as 223,000 tonnes. Hindustan Aluminium has been asked to yield 90,000 tonnes, Indian Alumininm 75,000 tonnes, Bharat Aluminium 40,000 tonnes and Madras Aluminium 18,000 tonnes.

But for the curtailment of power supplies to the major aluminium producers recently, the output of aluminium, it was earlier thought, could be raised to as high a figure as 250,000 tonnes. This would have meant an increase of 41,313 tonnes (approximately 20 per cent) over the 1976-77 output.

paucity of power

Had the power supply position been comfortable and Bharat Aluminium been provided adequate electricity, the production of aluminium could have been stepped up even beyond 250,000 tonnes. The second potline of 25,000 tonnes manufacturing capacity of this public sector undertaking, which was completed in June last year, has remained idle all through the last 12 months because of the non-supply of power by the Madhya Pradesh State Electricity Board. It is expected to be commissioned this month. The third and the fourth potlines of the project of 25,000 tonnes capacity each may go on stream only in March and December next year. But should the power supply be available, the third potline can be brought into production earlier than March.

With a view to ensuring that the target of producing 223,000 tonnes of aluminium this year is attained, the central government has asked the state electricity boards to expeditiously restore the sanctioned power supplies to the producers. This directive is understood to be given as with the onset of the monsoon season, the hydel power generation should become normal in the next few weeks.

Hindustan Copper—a public sector enterprise—which accounts for the entire production of copper in the country, produced last year 23,715 tonnes of blister copper—173 tonnes less than in the previous year. It has been asked to raise its output to 31,000 tonnes this year. Although the production of blister copper last year went down slightly compared to the previous year, that of wire rods showed a substantial improvement from 12,544 tonnes to 21,314 tonnes. The output of wire rod this year is envisaged to be increased to 28,000 tonnes.

production of zinc

The production of zinc is targetted to be stepped up to 64,000 tonnes from 27,031 tonnes last year and 27,829 tonnes in 1975-76. There are two manufacturers of zinc in the country at present. The public sector undertaking, Hindustan Zinc Limited, has been asked to raise its output from 14,531 tonnes last year to as much as 35,469 tonnes this year. In 1975-76, its output was of the order of 16,031 tonnes. COMINCO, a private sector enterprise, which produced another 11,798 tonnes of zinc metal in 1975-76 and 12,500 tonnes in 1976-77, has been asked to yield 15,000 tonnes this year.

The output of lead by Hindustan Zinc, the only manufacturer of this metal in the country, is proposed to be raised to 12,000 tonnes from 6,177 tonnes last year and 5,155 tonnes in 1975-76.

The above ambitious programme for the manufacture of non-ferrous metals, along with the liberalisation of imports effected recently, indeed, can help in augmenting their overall supplies in the market very significantly and should go a long way in assisting exports of many an engineering product. To make the products of this industry competitive in the international market, it may be recalled that import duty on electrolytic copper has been brought down in this year's budget together with the duty on the imports of alloy steels and high carbon steels.

The expansion programme of the non-ferrous metals industry is proposed to be accelerated further with a view to meeti the country's requirements of these met fully primarily from indigenous sourc in the first two years of the sixth Pla An indication to this effect was given la week in Parliament by the minister f Steel and Mines, Mr Biju Patnaik. H revealed that he had initiated neg tiations with a number of countrie including the Soviet Union and Romani for a sizeable expansion of the capacity produce aluminium as we have va bauxite resources.

In the case of zinc, the capacity ha already been expanded to as much as 95,0 tonnes with the commissioning by Hindu tan Zinc in March of its 30,000 tonnes p annum capacity Visakhapatnam smelt based on imported concentrates an expansion earlier in January of its Deba smelter from 18,000 to 45,000 tonn based on indigenous ore.

The capacity to manufacture lead expected to be raised by 10,000 tonnes t 18,000 tonnes by the end of this yea through the commissioning of the secon lead smelter of Hindustan Zinc at Visakha patnam. At present, there is only on such smelter in the country at Tundoo.

import of nickel

For developing indigenously the pro duction of nickel, the full requirements o which (currently estimated around 4,00 tonnes per annum) are being met b imports, efforts are to be made to exploi the nickel ore mines in Kansa (Sukinda) i the Cuttack district of Orissa to turn ou annually 4,800 tonnes of nickel and 20 tonnes of cobalt. These mines are esti mated to have lateritic type of nickel or with about 1.25 per cent nickel content t the order of 15 million tonnes. A pilo plant has already been set up at Jamshed pur to study in detail the problem involved in the exploitation of these reserves. It is hoped that during the sixth Plan period, bulk of the country's requirements of nickel would be met from indigenous sources.

The output of gold, this year, howeve may show some decline from the las year's level of 3083.73 kgs as this year's target envisages a production of only 3,066 kgs.

Budget favours evolutionary approach

S. L. N. Simha

The author contends that the deficit in this year's central budget is not Rs 72 crores as estimated by the Finance minister but Rs 872 crores. He stresses that the sum of Rs 800 crores to be borrowed by the union government against drawal of foreign exchange reserves should be included in any computation of the budgetary deficit. The author has also dwelt upon the major taxation proposals of the Finance minister and has generally welcomed them. He desires that the government must speak with one voice in regard to the roles it expects the private and public sectors in industry to play.

Y FIRST reaction to the budget present- by Mr H.M. Patel is that it is a simple d sincere budget. The ideas are clear, language is lucid and the budget pro- sals reasonable on the whole.

Further, although this is the first budget the new government, one sees a broad asure of continuity between the last dget and this one. The Finance minis- deserves to be complimented for this. nance ministers often times forget that ir so-called radical approach to budget s tremendous unsettling consequences the economy. Therefore, when one mes across an evolutionary approach, e has reason to be happy and grateful.

The Finance minister has remarked t 'The Budget of the central govern- nt is a major instrument for shaping country's social and economic poli- s'. This is so of every budget now ether in India or abroad. Nothing luences economic policies so much as budgetary operations and policies of vernment. Considering this, one feels newhat disappointed that the economic ategy of the new government has not en spelt out in detail. Of course, there s not much time for this. This apart, e doubts whether there is much scope any radical approach, so far as broad nomic objectives are concerned. There s very little in the previous govern- nt's objectives which one could find lt with. It is more a question of earnestness with which objectives are plemented. In this regard, the perfor- nce of the Congress government in the t ten years or so was disappointing. It oo early to say what the new govern- nt is going to accomplish.

The Janata government is talking a lot about rural development. Frankly, one cannot say that the previous government did not have rural development very much in mind. Actually, Mr C. Subramaniam issued, along with the budget papers, last year a paper entitled 'Strategy for Integrated Rural Development'. The Plan outlay on 'agriculture and allied services, major, medium and minor irrigation projects and fertilizers, together with provisions for co-operatives and power sectors attributable to rural areas' is placed at 30.4 per cent in the current year. On the same basis, the outlay for the preceding years was not materially different. The important matters are not merely classification and money allocation or even money expenditure, but the effectiveness thereof. In this regard, one must watch the new government's efforts before passing a judgement. It would be premature to rush into any complacency on the basis of the allocations mentioned in the budget.

POINT OF VIEW

On the question of promoting general economic efficiency, the budget has some brief but pregnant observations. The Finance minister is very right in emphasising the need for the industrial sector to generate larger internal resources out of more efficient operations as well as '*more effective pricing policies*' (italics supplied). If the Finance minister is recommending a large measure of competition and freedom from price controls, he must indeed be complimented for his wisdom. Modern governments have relied unduly on price controls to cover the acts of omission and commission in other policy areas, including in particular fiscal and monetary indiscipline. Support for this view is strengthened by the Finance minister's observation elsewhere, in the context of the not-so-satisfactory performance of public sector enterprises, this being attributed to '*deficiencies of management and improper pricing policies*' (italics supplied).

inflationary pressures

The Finance minister is rightly concerned with the danger of revival of inflationary pressures. It is heartening to hear from him that 'this was due, in a large measure, to an excessive increase in money supply last year'. One would have expected the Finance minister to give some details of the fiscal-monetary mix which he considers appropriate. There is no discussion at all in the budget of the role of monetary and credit policies, including the place of interest rates in the strategy for stimulating investment and at the same time ensuring reasonable price stability. Probably he is waiting for a regular incumbent for the office of the Governor of the Reserve Bank of India to join duty and work out the monetary strategy for growth with stability.

Another aspect about which one should have a serious reservation is about the magnitude of budgetary deficit that is mentioned in the budget. The deficit is put at Rs 72 crores, after taking into account the net yield, from the tax proposals, of Rs 130 crores. The deficit is arrived at after excluding proposed borrowing of Rs 800 crores from the Reserve Bank 'against drawal of foreign exchange reserves'. It is not clear what this means. If this means that government would borrow Rs 800 crores for expenditure abroad and this would not have domestic

inflationary impact, in the sense of expansion of domestic money supply, the argument is correct. This sort of thing is not new; all along, some government expenditure is being incurred abroad. Surely, it is not suggested that this year there is going to be some extraordinary foreign expenditure. Anyway, this expenditure does not by any means make the deficit smaller. In other words, the estimated budgetary deficit must be put at Rs 872 crores.

In this connection, it may be useful to digress a bit on the concept of budgetary deficit. It is the fashion all over the world to go on making changes in the concepts of budgetary deficit and balance of payments deficit, to suit the budgetary and external payments situation. It is like changing the yardstick to suit the convenience of those who are measuring!

In many of the developed countries, any expenditure that is not covered by tax and other current receipts, is treated as a deficit. A deficit may be financed in a non-inflationary way by borrowing from non-banking entities or by a combination of non-inflationary and inflationary borrowing, the latter representing borrowing from the banking system, whether commercial banks or the central bank of the country.

Indian practice

In India, the general practice is to equate the deficit with the borrowing from the Reserve Bank in the form of *ad hoc* treasury bills. This means that the government's borrowing from the Reserve Bank in the form of other securities did not constitute deficit at all! Certainly, there is no question of borrowing from the commercial banks, especially in the form of sale of government securities to them, being treated as deficit.

However, as part of money supply analysis, the concept of 'bank credit to government' was developed. This took into account the government's borrowing from the banking system, central and commercial, in all forms. In the economic sense, this is the true measure of government's budgetary deficit.

So far as the total effect on money supply is concerned, one has to take into account the totality of three principal causal factors, namely, bank credit to government, bank credit to commercial sector and the balance of external transactions of the banking sector.

On the basis of the above analysis, clearly the sum of Rs 800 crores, proposed to be borrowed from the Reserve Bank, should be included in any computation of the budgetary deficit. It should be added that the idea of borrowing 'against drawal of foreign exchange reserves' is not the Finance minister's. It has found a place in the revised version of the fifth five-year Plan, issued by the previous government, in November 1976. In this general article, it is unnecessary to say more on this subject.

no complacency

So far as our large foreign exchange reserves are concerned, the Finance minister is right in stating that we should not be complacent. In the past, we have paid a dear price by tyring to run down our reserves too fast. On the other hand, some liberalisation of imports is clearly indicated for accelerating growth and enlarging the supply of domestic goods. In this connection, government should try to broad-base the export and import trade. At present, too large a proportion of trade passes through state trading organisations. From this angle, I do not approve of the proposed concentration of imports of watches in the hands of the HMT. This is bound to lead to anomalies and irregularities of all sorts.

The budget speech does not contain the details of the government strategy for bringing about economies in government expenditure. It is indeed difficult to reduce expenditure, whether in government or in private organisations and enterprises. However, considering the magnitude of government's budgetary operations, this area should be fully explored for economies, not merely in respect of current expenditure, but capital expenditure. The Finance minister has given a very vivid example of the escalation in costs as a result of delays in the completion of projects. It is time that government appointed an Expenditure Commission to survey the entire field. The machinery for scrutinising expenditure should be strengthened.

The Finance minister has also done well to preach the doctrine of austerity In this regard, public sector institutions themselves have been sinners. The amount of money that is wasted on buildings furniture, carpets, air-conditioners, etc etc, in public and private sectors is colossal. While public opinion must be aroused 'against a life style inconsistent with the harsh economic realities of a poor country such as ours', government can give directives to public sector institutions, including banks, and also use the tax machinery by tightening items of expenditure eligible for exemption.

So far as the tax proposals are concerned, there is not much for which one can criticise the Finance minister. In fact, his proposals are on the whole modest and elegant too. One would have liked him to make some reference to the rationalisation of the excise duties and the likelihood or otherwise of VAT being introduced. Surprisingly, there is no reference at all to the Jha committee's interim report. However, the excise duty changes generally seem to be in order.

continuing process

The raising of the income-tax exemption limit to Rs 10,000 is a continuation of the process that was initiated some years ago and the recent raising only reflects the further progress of inflation in the economy. Tax administrators should heave a sigh of relief and concentrate their efforts on further checking of tax evasion. The increase in the surcharge on income-tax cannot also be objected to, but it should be levied on larger incomes, that is to say, incomes above Rs 60,000 per annum. Incidentally, there is a case for rearranging the slabs for purposes of determination of the tax rate. At present, the maximum rate of 60 per cent applies to all incomes above Rs 1 lakh. The maximum rate could start at Rs 1.5 lakhs if not Rs 2 lakhs. Even if there is some increase in the maximum rate from 60 per cent to 70 per cent, it should be all right.

The Finance minister really deserves a bouquet for his fresh thinking on capital gains tax. The lowering of the holding

period to three years is welcome. On the other hand, he has probably gone too far in giving total exemption from the capital gains tax if the proceeds are invested in approved categories, which seems to be fairly wide. Capital gains are largely illusory in character but not *wholly*. I would prefer a single rate of tax of 10-15 per cent, on all capital gains.

I do not have much enthusiasm for the investment allowance when it is of a general character. What is more important is to bring about a significant reduction of company tax, to something like 25-30 per cent. The company surtax could also be liberalised.

The raising of the wealth tax is also something to which one may not take serious objection. There is a clear case for liberalising the gift tax provisions. The exemption limit should be raised to Rs 25,000. Let property ownership be diffused widely, even among relatives.

Altogether, as already mentioned, Mr Patel's budget is a simple and sincere one. In essentials, it is a *status quo* budget. However, the liberalisation of the capital gains tax and the extension of the scope of the investment allowance should help promote investment. The raising of the income-tax exemption limit should help the demand of consumer good industries to pick up and indirectly strengthen the finances of the manufacturing units and the exchequer too.

It is of the utmost importance that undue emphasis on developing the rural sector does not inhibit the growth of the manufacturing sector, which is the dynamic sector in any economy and which can, with proper guidance, help our economy to grow rapidly in the years to come. The Finance minister has struck the right note regarding the relative importance of large and small-scale industries and the development of rural sector. On the other hand, statements of the sort that came subsequent to the presentation of the budget, from the Home minister, that 'big industries may be statutorily obliged to produce for export alone and the vast domestic market should be kept open for items made in the small-scale and handloom sector', are likely to have an adverse effect on entrepreneurial enthusiasm and industrial growth, in the public as well as the private sectors. In these matters, government must speak with one voice, leading to confidence rather than disrupting it. In this task, the Finance minister has a great responsibility.

Socio-economic dualism in India

Mahendra S. Kanthi, Calvin O. Atchison & Sammy Comer

The traditional Indian society, say the authors, was oriented towards non-utilisation and less pragmatic standards of evaluation. With the dawn of independence attempts at initiating various changes in rural as well as urban sectors under the five-year Plans have led to conflict or dualism with the existing socio-cultural and economic order. The authors who are connected with the Tennessee State University have studied the fields in which such conflict has become evident.

NEARLY ALL developing economies have shown marked differences in two major sectors: the advanced and the traditional which have been expressed by some either in the form of social, economic or technological dualism.[1] In each form of expression, the features are almost identical though the emphasis is different. For purposes of this study the socio-economic dualism is broadly defined as: "The economies dominated by two or more socio-economic systems—the one being clearly distinct from the other—are known as dualistic in character." In such economies, generally one of the prevailing socio-economic systems happens to be imported from abroad, it being largely the western capitalism or socialism or even communism, which penetrates into the precapitalistic agrarian economy. In spite of the impact of western capitalism, the indigenous traditional system has remained distinctly separate in a majority of the "Third World" countries. The essence of socio-economic dualism is the "clash between an imported and the traditional indigenous system of divergent character. Thus it explains the economic interactions of the two clashing systems." The main objectives of this study are: (a) to broadly categorize the distinct features of both the urban and rural sectors of developing economies, (b) to examine the nature of foreign enclaved sectors of developing nations, (c) to identify the process of interaction between the dynamic modern sector and the relatively stagnant traditional sector, (d) to analyze the existence of socio-economic dualism in the Indian economy in the past and at present, and (e) to sum up by identifying particular sectors which exhibit dualism in relevance to the Indian economy.

Traditional sector of a typical developing economy is the rural sector where production can be organized with a wide range of techniques and alternative combinations of labour and capital.[2] Since labour is in abundance the technique of production is labour intensive.[3] The modern sector is the urban sector consisting of plantations, mines, oilfields and large scale industry. It is a branch where there is limited degree of technical substitution of various factors, particularly labour and capital. Thus production in this sector is characterized by fixed coefficients. The modern sector utilizes more capital than labour and thus production is characterized as capital intensive. Table I distinctly portrays the differing features of the two sectors in a typical developing economy.

Table I indicates the differing nature of the urban and rural sectors both in composition and in activity due to the lack of interaction or linkage between the village economy and the urban centre. Had the linkage been significant, the villages would have changed considerably. Most of the villages are more remote from the urban sector than the latter are from the western world. There is poor

communication and transportation and the rate of illiteracy is high in rural areas. News and ideas of innovations spread by word of mouth and superstitions are powerful—all of which determine the social conditions. Customs and taboos prevail so intensively that rural life continues without much change. Very often people resist any change from their set pattern of life. Added to these, there is little communication with the outside world. All of these factors make socio-economic dualism a distinct characteristic of a developing economy.

foreign enclaved sector

Industrial production in the modern sector has increased during the past in developing countries as a result of foreign investment or help of one form or another. But such activities were mainly in mining and plantation or chard cultivation. Examples of these are: petroleum expansion in Venezuela, Middle East, Libya; copper in central Africa; tin in Bolivia; gold in South Africa; tree rubber in Malaysia; tea in Sri Lanka; and sugarcane in Crystal Coasts. These activities were mostly foreign-owned and managed with their output almost entirely meant for export purposes. Thus many of these sectors developed into small enclaves where foreign corporations were engaged in large scale and highly capitalistic undertakings. The supervisors and other skilled personnel in such undertakings were mostly foreigners and unskilled and hard work was performed by the native labourers. The contact between the native workers and the western supervisors was rare and ineffective. Very few of them gained the concepts of organization, administrative responsibility and efficiency, however, such values were scarce and limited. There was little contact with the interior world but there was considerable contact with the outside world from where consumer goods like liquors, wool, canned foods, flash lights, knives, wines, shoes, store clothes, cosmetics, etc, were imported.

Part of agriculture was also financed and managed by foreigners. The plantation crops differed from traditional indigenous agriculture. The output was mostly for export. The required capital investment to cover the cost of clearing, planting and foregoing of returns until the plants began to produce, for construction of factories, for pressing, dyeing and similar on-the-spot processing came from foreign sources. In the case of rubber plantations, there was a long waiting period from the clearing of the jungle to the first tapping of trees. Plantation agriculture used mechanical equipment and extensive terracing, irrigation and other devices involving capitalistic operations. Even native labour in such plantations was unskilled but was better paid and was employed in an atmosphere of market economy having direct contact with the urban world. In plantation the soil and labour are of the same type as are found in subsistence farming, but the difference is significant regarding technique of operation, supervision of personnel, capital input and output which make the plantation system an entirely different kind of enterprise.[6]

In fact, one of the objectives of the developing countries is to have the market economy and the foreign enclaves encroach increasingly upon it. Only by penetrating the subsistence economy and introducing cultural and economic changes within it can the governmental programmes benefit the majority of the population in the developing world.[7]

process of interaction

It is the subsistence rural sector which is the complementary aspect of a dual economy. None of the rural economies today are entirely subsistent in the sense that commodities produced are one hundred per cent locally consumed but in most of the developing countries over half the output of the rural community is still consumed within the same village and only a relatively small amount is left for out

TABLE I

Numbers	Urban or Industrial Sector[4]	Rural or Traditional Sector[5]
1	There is industrial activity in and around the metropolitan centres.	In contrast subsistence agriculture surrounds the rural villages.
2	There are government offices, schools, colleges, movie theatres, hospitals and larger buildings in urban centres—all of which stimulate considerable social mobility and economic activity.	The villages have very poor provision for educational, health recreational and housing facilities—as a result social mobility and economic activity are not very significant.
3	There is an emerging middle class of merchants, officials, teachers and lawyers in urban areas.	The rural population is primarily engaged in agriculture and very little of small scale or cottage industry exists—thus the agragrian class is predominant.
4	Urban wages are usually higher due to strict imposition of minimum wage laws.	In rural areas wages are implicitly low and are often in kind
5	The urban labour market is characterized by superior jobs with specialized functions for various workers clearly marked out.	Hardly is there any accounting and thus rarely any auditing. Often rural labour force is primarily engaged in agriculture-largely performing the traditional functions based on orthodoxical division of labour.
6	The cost of living in urban areas is higher due to increased demand for goods and services.	Rural life is relatively cheaper and goods and services are less expensive.
7	Market economy is more predominant in urban areas.	Barter economy still exists in many rural economies of the "Third World"—often in the form of services and crops.

de sale or exchange. No doubt urban opulation depends upon the supply of ood and fuel from the neighbouring illages. Similarly, urban industry may egularly require materials for processing hich are produced in rural areas. These urchases bring money into the interiors nd in the neighbouring areas. Rural reas in course of time produce cash rops and such materials which can sell oon and bring monetary yield in return o them. But such an activity is awfully imited and therefore it cannot be said to ave the characteristics of a developed economy[8].

There are people who migrated from he rural area because they did not have and or adequate facilities for earning heir livelihood and a house to live in and hey did have an impression that there is work in the city or town nearby. Often n bad times, like a crop failure or some financial crisis, many villagers move into cities seeking avenues of earning a livelihood. There is the lure of bright lights, smooth transport, broad roads and big structures in the urban areas and these varied reasons explain the large floating population often sleeping on the streets and pavements at nights. Some of them in the course of time, settle down in cities, some return to the villages and some come and go at various times. However, they maintain in this manner a contact between the town and village though the number of such persons is hopelessly small in the entire developing world.[9]

the money lender

Another linkage between the subsistence economy and the monetised market economy is the village money lender or the indigenous banker who performs certain economic functions. He accepts payments in cereals. He sells the surplus foodgrains in the nearest town or city thus performing the function of a grain merchant. He is also a dealer in such materials which he purchases from the town and sells in the villages. In this way he is a capitalist merchant. His activities serve to bring food to the towns and the higher the interest rates the more surplus grain the peasant must cultivate, thereby facilitating the indigenous banker to accumulate more. Moreover these grain trading merchants do most of the monetary saving that is necessary to development. In recent years the grain trading merchants have been the target of attack by the socialstic forces in the Asian continent.[10]

The traditional Indian society was dominated by the qualitative ascriptive social and economic system with caste, joint family and the panchayats (village level domocratic institutions) as the structural base. The tool and handicraft guilds supplemented agriculture. The individual economic action and motivation were largely determined by traditional sanctions and the value system of a sacred society dominated over the assessment of needs, occupations and interests. Hence, the ancient Indian society was oriented toward non-utilization and less-pragmatic standards of evaluation wherein ritualism and fatalism were the dominant characteristic features.

low value production

Although agriculture and cottage industries employed an overwhelmingly large population of the economy, these two sectors produced low value goods mainly intended for the limited requirements of the masses and catering for a large number of small markets based on rural self-sufficiency. However, some handicrafts producing high value luxury commodities were intended for consumption by the rich. The production methods in agriculture and handicrafts were poor, primitive and labour intensive with no application of modern science and technology. The Indian village economy remained a closely knit and well integrated society based on caste and division of labour. With occupations mainly determined by caste and with every economic activity being subject to the notion of *Dharma, Karma, Samskara* and various other social taboos—the ancient social institutions although outdated in the modern sense enjoyed stability.[11]

With the dawn of independence, attempts are being made through a series of five year plans to change the traditional paternalistic, agrarian Indian economy into a modern technological and industrial society.[12] In the field of agriculture, attempts for transformation and modernisation cover not only the improvement of infrastructural base by providing improved irrigational facilities through a network of river valley projects, generation of electric power, but also the supply of inputs like fertilizers, high yielding variety of seeds, improved implements and pesticides.[13]

imparting skills

Besides these, efforts have been made to impart necessary skill, and techiques to revolutionise the methods of cultivation through Community Development and National Extension Service schemes, Farmers Forums, Cooperative Institutions, Small Farmers Development Agency (SFDA), Marginal Farmers and Agircultural Labourers Development Agency (MFALDA) and Integrated Dryland Agricultural Projects.[14] Also multiple cropping patterns and Intensive Agricultural Development Programmes (IADP) with new scientific approach have come into force. Attempts are being made to reorganize agriculture through the introduction of land reforms comprising land ceilings, regulation of tenure and rent, and encouragement of cooperative farming to avoid subdivision and fragmentation and also to derive economies of large scale farming. Networks of transportation, credit and market facilities to the rural sectors have been considerably extended. Thus the possibility for an upward surge in agricultural production was being established. The Community Development Programme which was designed for an intergrated development of India—covers the social, cultural and economic aspects of rural life. It aims at fully developing the material and human resources of the rural sector on an area basis. Other activities included under this programme are improvement of rural communications, health, sanitation, nutrition, housing, education, rural employment, welfare of women and children and the cottage and the small scale industry.

Despite the various planned programmes adumbrated above, the change in the social and institutional organization has not been much.[15] In reality the reorganization and regeneration of Indian agriculture is not only interlinked with institutional changes like tenancy reforms but

also by the motivation and the socio-psychological outook of the vast number of small farmers. The influence of caste system, anachronistic customs, superstition, suspicion of social and economic reforms, regional and communal prejudices, and the existence of privileged groups are still prevalent in the rural economy.[16]

infrastructural development

In the field of industry and infra-structural development, considerable expansion has taken place over the last two and a half decades but the progress has not been even and cumulative. The expansion of industrial base and urbanisation has not been steady since 1966 and the untimely decline is largely due to the economic factors like shortage of agricultural raw materials, electric power, intermediate goods and transportation bottlenecks and poor intra-industrial relations. There were other institutional, religious and social factors inhibiting the industrial development like: social taboos, illiteracy, over-emphasis on traditional customs, age-old beliefs and rituals leading to conspicuous consumption and wasteful expenditure, all of which were against promotion of savings/investment.[17] Unawareness of profit-making opportunities and lack of willingness to seize the few existing ones and limited circulation of technological skills has led to the creation of certain industrialized enclaves even in urban areas. The absence of diffused role relationships, self-oriented action, protestant spirit of doing one's best with rational outlook of destroying leisureliness, enterprising spirit and mobility are still noticeable in many sectors of the Indian economy.[18]

The very initiation of various changes in the rural sector and considerable changes in the urban sector on account of various educational, scientific, cultural, economic and social programmes through a series of five-year Plans and consequent planned development programmes, has led to conflict or dualism with existing socio-cultural and economic order. Thus the areas of dualism or conflict in the Indian economy are those between:

(1) traditional beliefs, institutions, attitudes and modernity,

(2) superstition versus traditionality and caste,

(3) materialism versus spiritualism,

(4) heirarchy and ascriptive orientation versus achievement orientation,

(5) predominant preference to land wealth and traditional activities as against new opportunities in the fields of industry, trade and commerce,

(6) machines versus hand labour,

(7) linguism and regionalism as against nationalism,

(8) public sector versus private sector,

(9) socialism versus capitalism,

(10) individual profit versus social welfare, and

(11) self-reliance versus statue patronage.

The aforementioned list of conflicts or dualism are due yet to deeper and stronger hold of religion, ritualism, social taboos, superstition, casteism, communalism, and linguism and the doctrines of *Dharma, Karma and Samskara* on the Indian masses.

All of these factors have acted as constraints on the economic development. Besides the production techniques of the more vital urban centres have not been rapidly transmitted into the rest of the vast rural economy. Consumption patterns, savings habits, labour skills, attitudes and price-supply relationships need radical change. No doubt, the material inputs influence economic growth to a considerable extent and India is not lacking in either physical or manpower resources. But the influence of religion, traditional beliefs and social attitudes on economic development cannot be ignored in the context of Indian economy.

References

1. Stephen Enke, *Economics for Development* (New York: Prentice Hall, Inc., 1969), p. 24.
2. The production function of the rural sector is often characterized with variable technical coefficients.
3. The production function in modern industrial sector is often characterised with fixed processes.
4. It is also the modern sector which is referred to as a dynamic sector wherein industrial activity is predominant.
5. The traditional sector is the agriculture and is usually referred to as relatively stagnant sector.
6. The development of plantation sector and the establishment of foreign enclaves were in effect a process of industrialization of the developing countries.
7. See footnote 1, pp. 3 and 31.
8. The term inter-action refers to linkages between various sectors.
9. S. Chandrasekhar presents the following picture regarding the traditional immobility of the Indian population: "The comparative stay-at-homeness of the Indian population is a regular feature of many an Indian census report. In all censuses nearly 90 per cent of the people have been enumerated in the districts in which they were born. In 1901, only 9.2 per cent of the total population was enumerated outside the districts of their birth. In 1911 this percentage fell to 8·7 and in 1931 this ratio was repeated. Though figures for 1931-1941 are not available there is no reason to expect any radical change...". S. Chandrasekhar, *Population and Planned Parenthood in India* (London: Allen and Unwin, Ltd., 1955), p. 30.
10. See footnote 1, p. 27.
11. The doctrines of *Dharma*, *Karma* and *Samskara* are defined as: (a) *Dharma*: The emphasis of an Indian is on *dharama* by which he secures his own advancement, i.e., self-realization and self-emancipation unlike that of a European whose emphasis is on his rights. The concepts of *dharma* are all comprehensive, comprising of civil, religious and spiritual matters and also civic consiousness. These concepts have been handed down from generation to generation and outside the range or ordains of *dharmas*, there are immemorial customs peculiar to places, classes and to families. (b) *Karma*: This is an article of faith in all the main systems of Indian philosophy and religion. It is an aggregate of man's actions in former birth which determines his unalterable future destiny. As a man himself sows, he reaps and the fruit is the same quality as the action. (c) *Samskara*: It is a sacrament which gives an outward right or observance which is religious. They embrace various elements and express the beliefs, sentiments and knowledge the Hindus had about the nature of the universe, of human life and man's relation to the superhuman powers believed to guide or control his destiny. Prayers, appeals, blessings, astrology, magic, divination and symbolism are constituents of *Samskara*.
12. O'Malleu, *Popular Hinduism* (Cambridge: Cambridge University Press, Vol. I, 1962), pp. 40-47.
13. V.K.R.V. Rao, *Modern India*, (Australia: Six talk s broadcast over the network of the Australian Broadcasting Commission, October-November, 1939), p. 27.
14. *Second Five Year Plan* (New Delhi: Planning Commission, Government of India, 1961), pp. 2-27.
15. T.K. Lakshman, "Social Dualism in a Developing Economy" Social Action (India, August 1965), pp. 1029-1034.
16. T.K. Lakshman, "Social Dualism in Indian Economy", Unpublished Manuscript (Bangalore: Bangalore University, 1976), pp. 65-101.
17. See footnote 16, pp. 55-80.
18. See footnote 15, pp. 1030-1034.

Pakistan budget to revitalise national economy

In this article, which appeared in the overseas Weekly DAWN (Karachi), dated June 29, the paper's Economic Correspondent discusses Pakistan's budget for 1977-78 and also gives a comprehensive account of the state of Pakistan's economy.

r was against the backdrop of the eepening economic malaise that the ederal Finance minister presented, on une 11, the national budget for fiscal 977-78 and gave a matter-of-fact account f the nation's financial house-keeping. Ie depicted a grim picture of the out-oing year, but felt confident that the conomy would soon get out of the lough of stagnation. So, new fiscal neasures and tax proposals have been ormulated to maximise production in ne key sectors and make the economy rident and buoyant again.

Giving a record of Pakistan's economic

WINDOW ON THE WORLD

rogress since 1972, despite the trauma f 1971 and the world-wide stagflation of 974, the Finance minister asserted, in is impassioned budget speech, that etween 1972 and 1976 the country's total NP had increased by 21 per cent cumu-tively. During this period, industrial roduction was up by 16.4 per cent and gricultural output by 8.3 per cent. Ex-orts had more than doubled and touched ne figure of 1,162 million dollars. Again, evelopment expenditure by the govern-ent and corporations had increased to s 16,750 million. More important, flation was reduced to less than the vo-digit level. Thus the economic land-scape at the end of fiscal 1975-76 was virile and vibrant.

These trends have been suddenly reversed during 1976-77. Owing to devastating floods, disastrous failure of the cotton crop and the havoc caused by the post-election agitation, all production indices have slumped.

To quote Mr. Abdul Hafeez Pirzada, "the overall rate of growth of the economy is likely to be about one per cent . . . per capita income has declined and it is not possible to maintain the same level of consumption for everyone . . . exports were projected at the level of 1400 million dollars . . . the total export figure was now being anticipated at 1,050 million dollars . . . total imports are likely to aggregate to 2.5 billion dollars . . . the trade gap at 1.35 billion dollars in 1976-77 compares with a deficit of less than a billion dollars in 1975-76. . . .The increase in the wholesale price index during the period June 1976 to April 1977, was nine per cent. The increase in the cost of living index for all income groups was higher and stood at 14 per cent during the period. . . . We have had a major setback."

Independent observers say all these setbacks cannot be attributed merely to the political upheaval after the March elections. The disturbances may have damaged the GNP up to Rs 5 billion, as has been officially stated. But economic analysts point out that the 1976 floods were unparalleled and had ravaged the kharif crops. Over 40 per cent of the cotton crop was destroyed, which meant a loss of 450 million dollars. Floods also washed away the growth targets both in agriculture and industry and gave a bad jolt to the export drive. By March, 1977, the overall trade balance had registered a deficit of Rs 6,700 million, as against Rs 6,020 milion in the first nine months of the preceding year.

decline in production

Then, the performance of the nationalised industries was not reported to be quite up to the mark, which explains why large-scale industrial production has declined by two per cent during the year. The service sector also contracted by 0.3 per cent, in contrast to an improvement of 4.5 per cent last year.

Despite all these adverse factors, the 1976-77 economic scene is not without some redeeming features. In agriculture, which contributes over one-third of the GNP, the output of foodcrops has improved by 4.8 per cent—whereas that of fibre crops has declined by 23.9 per cent. The wheat crop touched the peak level of 9 million tons, showing an increase of 5.2 per cent over the last year. The production of rice, the major foreign exchange earner, was also larger than last year by one per cent. The commodities sector as a whole recorded an increase of 13.3 per cent. The GDP is now larger by 10 per cent to Rs 1,32,235 million.

What is particularly encouraging is that the revised gross revenue receipts for 1976-77 stand at Rs 20,701 million, or better than the original budget estimates by 3.5 per cent. In other words,

the pace of accretion of revenues is more than the growth of the economy. There is a slight shortfall in the tax receipts and import duties, but receips from central excise have reached Rs 4,900 million, showing a 32 per cent share in the total taxes. There is also a substantial gain in receipts from income tax which come to Rs 2,496 million. Then, the non-tax receipts are higher by 20 per cent and claim a 25 per cent share in the total gross revenue.

Significantly, remittances by Pakistanis abroad have gone up to Rs 5,000 million, as against the estimated Rs 4,000 million, in the current fiscal year.

In sharp contrast to previous years, there was a "significant shortfall" in external resources this year. The reduction amonted to 6.5 per cent, because receipts turned out to be Rs 11.893 million, as against the estimate of Rs 12,713 million. The main shortfall was witnessed in the field of project aid. The future prospect, too, is not bright, since the Aid-to-Pakistan Consortium has put off its annual meeting to September.

Again, recent press reports indicate that even aid in the pipeline, that is for certain ongoing projects, has been withheld by the US. According to the pre-budget economic survey, the consortium aid has gone down by 10 per cent in the current fiscal year, while commitments of economic assistance from OPEC countries have jumped from 110 million dollars in 1975-76 to 554 million dollars in 1976-77.

development schemes

Apparently encouraged by this diversification of the sources of aid, the budget-makers have decided to maintain the current year's Rs 17,000 million essential to the Annual Development Programme (ADP) in the difficult year ahead. The proposed development programme is to be financed to the extent of Rs 11,980 million by external resources.

The chief objective is to attain a 9.6 per cent growth in the gross domestic product during 1977-78 by maximising agricultural and industrial production. In agriculture, the target for cotton production has been set at 3.5 million bales, which is not considered to be high-pitched compared with the achievement of four million bales a few years ago. Likewise, a target of 9.5 million tons has been fixed for wheat, which is 5.5 per cent above this year's output. The next target for the rice crop is 2.83 million tons, depicting an 8.8 per cent increase over the current year's production. The output of sugarcane would imply an increase of 6.8 per cent.

As for large-scale manufacturing sector, its output is projected to increase by 19.6 per cent. Particular attention is being focussed on the textile industry. The target for cotton yarn has been set at 850 million pounds—an increase of 35 per cent over the output in the current year. Cotton cloth production is expected to be 660 million yards—a rise of 22 per cent.

social sector

To improve the balance-of-payments position it is proposed to increase export earnings by 29 per cent. Big increases are also projected in priority sectors to cater for basic social needs. The allocation for transport and communications is being increased by 30 per cent, that of power by 26 per cent, education and training 19 per cent and agriculture 34 per cent. The social sector would receive special attention in coordination with the provincial governments, because a marked accent is being placed on primary education, rural health, water supply, sanitation and low-cost residential plots.

A salient feature of the ADP is that funds for major on-going projects, notably steel mills, fertiliser factories and oil exploration had not been reduced in spite of financial stringency. The object is to hasten slowly towards self-reliance. The augmentation of the share of smaller provinces in development funds is indicative of the desire to level up regional disparities. Lastly, agriculture remains the main plank of the annual plan.

However, independent observers think that the ambitious targets fixed for 1977-78 may not be easy to attain. These are based on the assumption that there will be no change in the national economic scene or in the international economic situation. Some experts were of the view that a modest development programme, independent of the need for inflationary financing, should have been adopted because of the overall financial constraints. But the planners have opted for higher GNP growth, which involves higher levels of investment, evidently to provide greater employment opportunities and make an early breakthrough in the present phase of stagnation.

resources gap

The size of the ADP for the coming year creates a resource gap of Rs 3.30 million. This is sought to be covered by fresh taxation proposals which would bring net resources of Rs 1,540 million; the remaining amount of Rs 1,490 million would be raised by borrowing from the banking system. This resort to deficit financing as well as the new tax package—would not only raise the burden of direct and indirect taxation but also cause a further increase in the cost of living. Nevertheless, the framers of the budget argue that sacrifices in the present circumstances cannot be avoided and that care has been taken that the common man is not hit by the new fiscal measures.

However, the common man would feel the pinch of the proposed 20 per cent increase in railway fares. In the two previous hikes, third class passengers were spared. Not so this time because of the urgent need for development funds for railways. Freight rates have also been enhanced by 12.5 per cent, which is bound to have an inflationary effect on certain consumer goods.

Prospective house-builders will now have to pay Rs 120 more for every ton of cement and enhanced duty on timber and building materials. The urban middle class and the business community may also look askance at the proposed increase in the local call rate for telephones (from Paisa 25 to 35), manual trunk call rates rentals of telephones—mercifully, the installation and shifting charges of telephones are being lowered—and rates for telegrams.

The urban folk cannot but grumble at the upward revision of annual fees for television, and enhancement in the fees for passports. The WAPDA power rates have also been increased, but this would not affect domestic consumers. The consumers in the middle class can heave a sigh of relief that there is total abolition of

import duty on loose tea and reduction in the duty on tyres and tubes for scooters and rickshaws.

The major source tapped by the budget-makers to augment state revenues is the 20 per cent rise in the rates of import duties, exclusive of 10 per cent increase announced last year. This should yield a sizeable chunk of income, but industrialists apprehend that it would push up industrial costs and the prices of imported goods. The government's contention is that the enhanced duties would reduce the volume of imports and somewhat narrow down the yawning import-export gap.

So far as traders and industrialists go, they should be happy at the reliefs and incentives offered to them. The rationalisation of duty structure on certain items of iron and steel, the reduction in the duty on basic minerals, the increase in the rate of returns on defence savings and national deposit certificates and the removal of maximum limit on these certificates – all this should be welcomed by trade and industry. Further, the reduction in the tax on inter-corporate dividends of private companies and the total exemption in the case of dividends from public companies must provide a stimulus to investment and to the capital market. This has already cheered up the stock market. The raising of exemption limit of estate duty from Rs 100,000 to Rs 300,000 also shows the government's concern for trade and industry.

The 1977-78 budget, it is worth noting, has brought some good tidings for Pakistanis abroad, since incomes brought into the country for technical services rendered in foreign lands have been exempted from tax. Moreover, tax relief is now being provided for those who work abroad and maintain a house in Pakistan for their families. The conditions regarding short visit to Pakistan are also being relaxed.

Thus, the new budget is incentive-loaded and development-oriented. Above all, it provides 14 per cent more for defence—it also allocates Rs 16 million for polls—and tries to harmonise the needs of defence, development and social progress as far as possible.

West Germany: unemployment and nuclear energy

N. K. Barooah

In this article, the author touches upon one of the most talked about subjects in West Germany at present. It is the meeting of the future energy requirements of the country with a view to sustaining a high rate of growth of the economy in the interest of broadening the employment base in the next few years, so that the young job-seekers who were born during the period of high birth rate in the late 1950s can be gainfully absorbed. The construction of two nuclear power stations in West Germany has been suspended recently following court orders. The controversy ranges around the disposal of nuclear waste. The problem of creation of jobs in West Germany is increasingly being connected with the development of atomic energy at a rapid pace

EVEN WITH the envisaged economic growth of five per cent a year to 1980 and four per sent annually, thereafter, the West German unemployment figure will remain at 970,000 in 1985. This was revealed here recently by the Institute of German Economy, an organization close to the West German Employers' Federation.

It was further mentioned that in the case of a slower growth rate of the economy, the problem of unemployment would be greater. An annual growth of three per cent to 1980 and two per cent thereafter would result in an unemployment of 1.8 million by the end of this decade and 2.9 million by the end of 1985.

Being based on econometrics models, the institute's forecast would be taken with caution by experts. But what is now certain is that in the first few months of the year, the economic performance has been below the expected official target of five per cent growth in the gross national product for this year. Dr Otmar Emminger, the newly appointed president of the West German federal bank, said early last month that West Germany's GNP grew only at the annual rate of four per cent in the first quarter of this year. The federal bank also did not expect the unemployment figure to fall to 850,000 this year from roughly a million now. This fall was earlier expected by the government in Bonn.

Despite a real growth of 5.5 per cent last year and a whole series of programmes launched by the federal government during 1974-75 to surmount the effects of the worldwide recession and restore full employment, the unemployment level in 1976 did not fall below one million. Since autumn last year, several other measures have been taken to broaden the employment base. The latest measure to combat unemployment was taken towards the end of May 1977, by which DM 600 million were made available to the Federal Employment Institution for job creation programmes.

One of the crucial problems is that in the next few years the employment market will be flooded with young job seekers—those born during the period of high birth rate in West Germany in the last 1950s. This means an extra 80,000 job applicants over and above the normal ones. Furthermore, no standard solution has been found for the 'problem groups' among the unemployed—women seeking part-time work, youths without training, unskilled workers, older employees and disabled. They all have the toughest time finding new employment.

The problem of job creation is now increasingly connected with the issue of

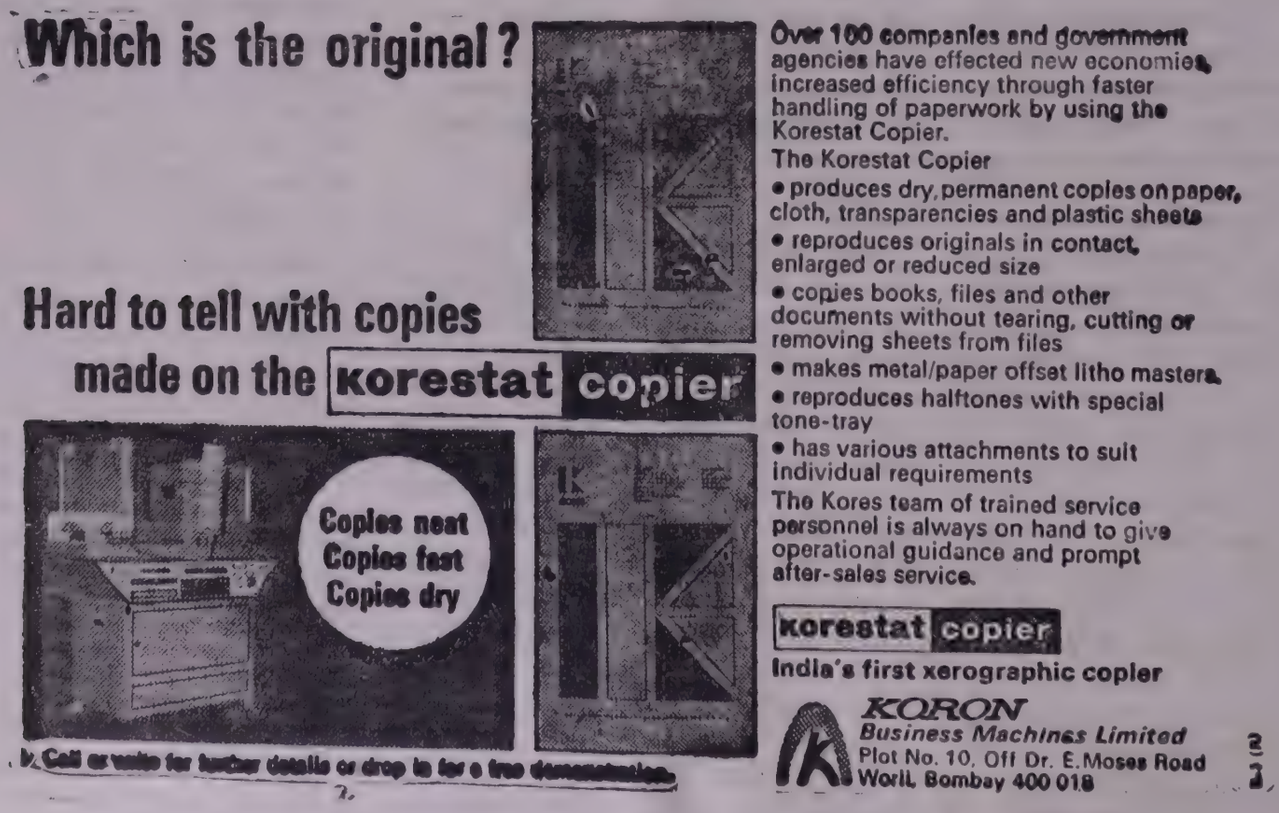
atomic energy. In March, 1977, Bonn fixed the target for nuclear energy by 1985 at 30,000 MW or 13 per cent of the country's energy need by that time. Soon however the government faced obstacles in its nuclear programme. Construction work at two nuclear power stations — one at Brokdorf on the Elbe estuary and the second at Wyhl in south-west Germany—has been suspended following court orders. It was because no site yet exists for the reprocessing and burial of German nuclear waste that the nuclear programme has been stopped by the courts. It is to be noted however that the court orders came in the wake of the public demonstrations against this kind of energy on safety and environmental ground.

Ever since the anti-nuclear energy demonstrations, attempt has been made by the government to inform the public more about the crux of the question. It has been pointed out that if the atomic power stations which are being built today are not to be completed—something which the environmentalists are advocating West Germany would be left with the present level of nuclear energy of 6,400 megawatts and this would result in a critical situation as early as 1980. The growth in GNP would then not only drop from 3.5 per cent annually to 1.5 per cent but also perhaps even more towards zero. In other words, should in contrast to government's plans the average economic growth rate only amount to half a per cent per year between 1985 and 1990, between two and 2.5 million people can be expected to be out of work—representing an unemployment figure of 10 to 13 per cent.

No wonder therefore that the trade unions and political parties all now advocate stepping up of the atomic energy programme. In the latest parliamentary debate on the subject last month, all the West German political parties shared the view that for the economic growth and full employment in the near future continuation and expansion of Bonn's nuclear programme is a must. The federal minister of Economics, Mr Hans Friedrichs, told the environmentalists that for a country with the foreign economic commitment of Federal Germany and with a low raw material potential and a high rate of consumption, cheap energy production is vital — also for remaining competitive internationally. He added that if fewer nuclear power stations were to be built, more coal power stations would be needed which would be not only more expensive but also "less kind to the environment".

As to the question of nuclear waste disposal, Lower Saxony's prime minister, Mr Albrecht, is of the opinion that an international solution has to be found on this question. His minister of Science, Dr Eduard Pestal, a number of the Club of Rome, argues that since after the end of this century nuclear power plants would be more and more in demand in the industrialised western Europe which at the same time would be unable to accommodate all the plants because of the density of population, a global solution must be found for various problems connected with nuclear energy such as, reprocessing, storage and waste disposal.

Meanwhile, the Shah of Iran has said in a German television interview that his country has enough open and safe space for West Germany's nuclear waste, if asked for.



MOVING FINGER

"There but for the grace of God go I". Had Mrs Gandhi been ill-advised enough to attempt to rig the March election or, had the results of that election been inconclusive, it was just possible that India would have fared as Pakistan has. Perhaps Mrs Gandhi did not have a go at rigging as Mr Bhutto did because she was, however mistakenly, sure of her hold on the country. Again, if India's general election was so decisive it was because the people of the northern states had made up their minds that Mrs Gandhi's government should go. In Pakistan, although the polarisation between the ruler and the ruled was quite sharp, its thrust was not strong enough to send Mr Bhutto packing then and there. Military rule is no new experience to Pakistan and generations of its people have learnt to live with it. They do not even have to brush up their memory. Quite possibly, Pakistan's friendly neighbours, Saudi Arabia and Iran, who had tried to shore up Mr Bhutto, may feel relieved that the overt chaos in the political situation in Pakistan has at least been halted by the intervention of the armed forces, which are no strangers to the role which they have now taken up.

Even as popular government collapsed in Pakistan, the people of Kashmir have once again shown their faith in their vote as the effective vehicle of their political preferences. The assembly election in Jammu and Kashmir state was no doubt held in an atmosphere of political tension and aggressive campaigning. All the same the success of Sheikh Abdullah's National Conference is to be accepted as calmly and gracefully by the Janata party and by the Janata government at the centre as the victory of the CPI(M)-led Left front in the West Bengal election or the success of the AIADMK in Tamil Nadu has been accepted by the Janata leaders. Loyalty to a local leader or party seems to be quite strong in some parts of our country and this is a fact of our political life which those who wish to tidy up the national political scene and make it a place fit for a healthy party-system of federal polity must learn to reconcile themselves to.

Until Mr V.V. Giri threw his hat into the ring and made it known that he was available for a second term at Rashtrapati Bhavan, my attitude to the question of who should or might permanently succeed the late Fakhruddin Ali Ahmed was one of indifference. Mr Giri's bid to resurrect himself, however, makes me wonder what is or could be wrong with the idea of Mr Jatti being a candidate. All that the Janata party could have against the acting president was that he tried to act as a president. This might have been an imprudent act, but it was not a criminal offence. In any case, whereas Mrs Gandhi's regime had only vasectomised the office of president, the Janata government has already neutered it. Nobody knows this better than Mr Jatti. Does this not qualify him for graduating to full president? It is not as if there are not things to be said in his favour. For instance, unlike Mr V.V. Giri and his numerous family, the Jatti household did not rush to take up positions in Rashtrapati Bhavan as soon as death created a vacancy.

Mr Jatti's, however, is a lost cause. At the time of writing, Mrs Rukmini Arundale's name appears to be out and by the time these lines appear in print, the Janata party may have announced the name of the individual on whose candidature it has reached agreement with the Congress party. Consequently, my expressing my preference can only be a case of Love's Labour's Lost. Nevertheless it is better to have loved and lost than not have loved at all. So, here it goes. Why not Hema Malini? She has so many of the necessary qualifications. The prime minister is a man. It is therefore only proper that the president at least should be a woman. The prime minister is 82. It would make sense if the president is as near to 28 as possible. The prime minister is the leader of a party which is predominantly north-based. The general opinion seems to be that the president, therefore, should preferably be from the south. About Hema Malini's standing in public life, there can be no two opinions about her mass appeal. It cannot be doubted at all that she would have easily trounced Mr P. Ramachandran, the Janata leader in Tamil Nadu and the present minister for Energy, had she contested against him in the last Lok Sabha election.

Hema Malini may not have what is commonly understood to be political standing or political experience, but, there is politics and politics, and the film world has more than its share of it. Nobody can say that Hema Malini has not held her own in her own area of politics. It is true that Mrs Arundale, in her day, was a great dancer. But she dances no longer. Hema Malini does. Why, then, should she not dance her way into Rashtrapati Bhavan? Come to think of it, Mrs Jaya Chakravarthi could throw her weight about as efficiently as Mrs Saraswathi Giri used to do.

Mr D. K. Borooah has served as a jester for only one royal presence. Mr R.K. Karanjia, however, has performed these chores at many royal courts. He was singing the praise of Nasser, when Nasser was alive, powerful and president, until the very crocodiles of the Nile were moved to tears of joy that they were breathing the very air that Nasser breathed. Now Mr Karanjia has written a book, "The Mind of a Monarch", on the Shah of Iran. What entrances and enslaves him in the Shah's personality is the latter's "truly mystic frame of mind, with faith in a super-natural power, some mysterious divine force, which has guided and protected him from his childhood days". All this—and American arms too.

VB

TRADE WINDS

Consumerism and Industry

MR T. THOMAS, Chairman, Hindustan Lever Ltd, chose to dwell upon the subject of consumerism on the occasion of the annual general meeting of the company held recently. Consumerism as a social movement seeks to protect and augment the rights of the consumer in relation the producer. It is a comparatively new phenomenon in this country and has been caused by the strain of shortages and inflation experienced in recent years. Mr Thomas pointed out that the government in this country has a significant role in meeting the aspirations of the consumer. Sound marketing practice and consumerism have identical objectives and therefore industry's response to consumerism also has to be positive and through the practice of marketing as distinct from sales. Consequently, industry has to invest more in safety testing, consumer education and research and development to cope with the increasing needs of the consumer.

Voluntary Agencies

Commendable work has been done by voluntary agencies in many countries, including India, in extending the rights of the consumer by keeping the producers conscious of coniumer rights and interests, Mr Thomas stated. In several western countries there are also official agencies specialising in consumer affairs. The main contributions of these organisations are in the following areas: (i) Consumer education about various consumer goods and services. This relates to prices and of the standard trade practices; (ii) Product rating in order to guide the consumer in his choice of products. Some of the agencies carry out tests and report them. A very notable example is the magazine, "WHICH", published by the Consumers' Association in the UK; (iii) Liaison with the government and with producers is another important role of the consumer organisations. As the government is the key factor in meeting most consumer needs in India, these organisations have to realise that they have a larger role to play in this direction.

Support Price for Jute

The union cabinet has decided to raise the support price for jute from Rs 136 a quintal to Rs 141 a quintal. This has been done in spite of the fact that the Agricultural Price Commission had recommended to retain the present support price of Rs 136 a quintal, Commerce minister, Mr Mohan Dharia announced on July 1, 1977 in the Lok Sabha.

Mr Dharia said, the Jute Corporation of India (JCI) would open 120 more purchase centres. He would ask State Trading Corporation to examine the matter so that raw jute could be made available to the mills. He also stated that the reported threat of jute mills to resort to block closure and to restrict production to 70 per cent of the present level was a serious matter. He added: "It is a fact that the jute industry is facing shortage of raw jute at present which is likely to continue till the new crop arrives in the market. The present raw jute situation would, therefore, result in shortage of stock in the case of some of the mills and also shortage of high grade fibre in the industry as a whole. To ensure better distribution of the available supply of raw jute, regulatory orders have been issued restricting the holding of stocks of raw jute by the mills upto a maximum of their four weeks' consumption."

IDA Credit for Assam

The International Development Association (IDA), a World Bank affiliate, is providing a credit of US$ 8 million to help finance an agricultural development project in the state of Assam in India. The project will help to improve agricultural extension services in eight of Assam's districts containing about 97 per cent of the population, and lay the base for improvements in groundwater development.

The five-year project was prepared by the government of Assam with assistance from the Food and Agricultural Organization/World Bank Cooperative Programme. It provides for a complementary package of components, designed to achieve early and sustained improvement in agricultural production by strengthening extension and research services, so as to bring proven agricultural practices to farmers living on the plains districts of Assam. The project covers the two valleys of the Brahmaputra and the Barak, where most of the state's annual crops are grown, including rice—the most important crop—and other commercial crops, including tea, oilseeds, jute and sugarcane.

Under the project, which is estimated to cost a total of US$ 16.4 million, a well-trained, highly motivated and technically competent extension organisation will be created, to give farmers practical technical guidance aimed at increasing production and incomes. In addition to the complete reorganization and strengthening of agricultural extension services, the project will develop and strengthen adaptive research, strengthen Assam's Irrigation department and establish a project for monitoring and evaluating facilities, with the provision of staff and equipment.

The IDA credit of US$ 8 million is being made to the government of India for a term of 50 years including 10 years of grace. It is interest free except for a service charge of 3/4 of one per cent to meet IDA's administrative costs. The proceeds of the credit will be channelled to the government of Assam in accordance with the government of India's standard terms for financing state development projects.

World Bank Loan for Bombay High

The World Bank has announced the approval of a loan of US $150 million to help finance the development of the Bombay High and Bassein Oil and Gas Fields located near Bombay, India. The US $571 million project includes the construction of facilities required to produce up to 140,000 barrels per day of oil and 2.2 million cubic meters per day of natural gas from the two fields and the facilities to process, transport, store and deli-

r to users of the oil and natu- gas from these fields at l production.

The Bombay High and Bas- in Fields should yield up to million tons of oil equiva- nt at maximum production. his will be substituted for ude oil import and is expec- d to bring India net foreign change savings of about US$,000 million over the next years. The project is the rst operation for the Bank in dia's petroleum sector. How- ver, the Bank and its affi- ate, the International Deve- pment Association (IDA), ave assisted energy develop- ent in India since 1950. The ank and IDA have provided S$ 749 million for electric ower generation and trans- ission and US$ 47.4 million or coal production.

The World Bank loan to dia is for 20 years, including ree years' grace. It will carry terest at the rate of 8.2 per ent per annum. The govern- ent of India will relend the roceeds of the loan to ONGC or a period of not more than years, including three years' race, at an interest rate of .25 per cent per annum. he Bank loan will meet 26 er cent of the total cost of S$ 571 million of which US$ 7 million is foreign ex- ange.

Synthetic Detergents

The government has decided remove the ban on develop- ent of new capacities for nthetic detergents in the all scale sector with im- ediate effect. This decision as taken after a review of the emand and supply position of nthetic detergents and acid urry at a meeting convened cently by Mr I.C. Puri, ditional secretary in the inistry of Industry and Development Commissioner, Small Scale Industries.

Bills Rediscounting Scheme

The Reserve Bank has announced a ceiling of 12 per cent per annum on the rate of interest to be charged on bills rediscounted with commercial banks and other financial institutions.

Transfer of Loan Account

The Reserve Bank has accepted the norms recommended by the Committee on Transfer of Loan Accounts among banks for regulating such transfers for the purpose of developing a mutually acceptable system, to match the customer's desire for freedom to chose his bank with the requirements of financial discipline of borrowers and healthy growth of banking business. Conveying this in a letter to banks, the Reserve Bank has indicated the procedure which banks should follow for transfer of loan accounts having credit limits of Rs 25 lakhs and above. Details are as under :

Each bank should constitute a high power internal committee to give hearing to the grievances of the customer intending to transfer his account to another bank and to examine whether he is transferring the account to avoid financial discipline. The committee should ensure that the bank does not stand in the way of the customer in selecting the bank of his choice, in case he feels that his existing bank would not be able to meet his genuine difficulties.

When the customer desires to transfer his account, the transferee bank should immediately write to the existing bank seeking detailed credit information on the customer and enquiring whether the latter has any objections to the transfer. The existing bank will immediately acknowledge receipt of such a request. Even if the existing bank does not wish to stand in the way of transfer of account, it will be obligatory on its part to furnish full credit information including perceptive comments on the question of financial discipline and other related areas. If the transferee bank does not hear from the existing bank within a period of one month from the date of receipt of its request, it will be free to take over the account.

It would be advisable for both the banks to meet at a fairly high level and discuss whether the proposal to transfer the account could be permitted.

In order to avoid an unhealthy interest rate war, reduction in interest rate on the account should be precluded for two years from the date of transfer, unless it is justified in pursuance of a change in the credit policy of the Reserve Bank.

Prior Consent

Where the customer is already having credit limits with one bank, another bank should not grant additional credit facilities, whether by way of advances of any kind of purchase/discount of bills or by way of letters of credit or bank guarantees, without the prior consent of the existing banker.

The Committee on Transfer of Loan Accounts was appointed by the Reserve Bank last year with Mr R. K. Talwar (former chairman of the State Bank of India) as chairman. The other members were Mr. V.M. Bhide (chairman, Bank of Maharashtra), Mr. P. F. Gutta (chairman, Central Bank of India, Mr G.L. Lakshminarayanan (former chairman of Indian Bank), Mr C.E. Kamath (chairman, Canara Bank), Mr T.R. Tuli (chairman, Punjab National Bank), Mr. A.H. Williams (vice-president,Citibank, NA), Mr D.R. Gandotra (chairman, New Bank of India Ltd) and Mr Sen Sarma (chairman, United Bank of India). The committee subsequently co-opted Mr A. K. Bhuchar (joint chief officer, Department of Banking Operations and Development) and Mr M.N. Govindaraj (then assistant chief officer Credit Planning Cell) as members.

Chemicals and Pharmaceuticals Corp.

The State Chemicals and Pharmaceuticals Corporation of India Limited (CPC), a newly formed subsidiary of STC, recorded a substantial increase in turnover—both exports and imports vis-a-vis last year. Against an export level of Rs 1.40 crores and imports of Rs 56.35 crores in 1975-76 (in the erstwhile chemicals, drugs and pharmaceuticals divisions of the STC) the corresponding figures this year are Rs. 6.29 crores and Rs 91.48 crores respectively. Thus, the total sales have risen from Rs 57.75 crores in 1975-76 to Rs 90 crores this year, an increase of 69 per cent The company has made a profit in the first year of operation.

Some of the items exported during the year were benzene to Italy, aluminium phosphate to Argentina, calcined alumina to Spain, gum rosin to West Germany, and the UK, paints and detergents to the USSR. Practically none of these items is canalised through CPC. CPC has decided to adopt a voluntary consortia strategy with

reliable and reputed indigenous producers. The watchword of the corporation is "selectivity" both in regard to product as well as manufacturer in order to eliminate unhealthy *inter-se* competition amongst the exporters. Furthermore, markets are being identified where CPC possesses natural advantages like proximity or purchase strength or preference for products which are labour-intensive and this country possesses the raw materials and skills etc.

Import sales during the year have increased to Rs 92 crores from Rs 56 crores in 1975-76. On account of inadequate indigenous production and increased demand at home, CPC was charged with the responsibility for importing HDP, LDP, methanol and phenol to bridge the gulf and tc ensure continuity of supply at suitable prices. With this aim the corporation handled import and distribution of large quantities of about 3300 Mts. of phenol, 7000 Mts. of HDP, 6000 Mts. of LDP and 4900 Mts. of methanol to relieve shortages and to contain market prices of these critical items. In addition CPC imported a number of items at short notice, for instance, tetracycline hydrochloride, prednisolone, etc at economical prices.

Garment Quota Curbs Lifted

Quota restrictions on Indian exports of handloom and cotton garments to the US have been done away with immediate effect, Commerce minister Mr Mohan Dharia announced in the Lok Sabha on June 28, 1977. Mr Dharia, who was replying to the debate on demands for grants for his ministry, stated that exports of handloom garments to the US would therefore be free from quota restrictions. An agreement on this was arrived at between India and the US on June, 17.

The agreement terminates with immediate effect part of the January 1976 agreement which required government of India to limit its exports of handloom products to the US. The June, 17 agreement was signed by the US Secretary of State and Indian Ambassador to the US. Quota restrictions on handloom cotton garments has been imposed by the US authorities in January, 1976 in the wake of the alleged spurt in their import of this item from India. India had been explaining for "quite some time now" to US authorities that limiting the quota would be telling on the vast employment opportunities to skilled and semi-skilled labour in the weaker sections of the society.

M&O in Education

The seminar on, "M & O in Education" sponsored by Grindlays Bank for the principals of the Indian Public Schools Conference was concluded recently when Mr G.W.W. Cunningham, general manager, Western India, addressed the gathering. Mr Cunningham, who as chief Planning Officer for the Overseas Banking Division of the bank, was involved several years ago in the introduction of M&O in the bank's extensive network of branches in India gave a resume of his views on the M&O style of management. Emphasis was placed on the involvement of people at all levels within an organisation and the need to carefully identify the purpose for which the organisation existed.

The constant updating of one's objectives in an ever changing environment was a prerequisite if any business is to succeed. Irrespective of the type of business, the location, the number of people involved, managers have to realise exactly what their function is and be accountable for their performance. He further stated that Grindlays Bank, being an international bank was able to draw upon a wealth of experience in a wide range of activities and had the degree of flexibility to adapt themselves to the local environment. In this context, it was in their long tern strategy to pass on the benefits of this experience to as wide a range of professional managers as they could, and as a starting point they felt that there was no finer way to undertake this exercise than to start in the field of education

Rs 4.5 Crore UK Grant

An agreement for a grant of £3 million (Rs 4.5 crores) was signed in New Delhi recently by Mr C.T. McGurk, Counsellor (Economic and Commercial), British High Commission and Mr W.S. Tambe, joint secretary, Department of Economic Affairs, union ministry of Finance.

The grant will be used for financing rupee expenditure

THE MADRAS ALUMINIUM COMPANY LTD.

ANNOUNCEMENT

To:

THE MEMBERS OF THE MADRAS ALUMINIUM COMPANY LIMITED

At the Seventeenth Annual General Meeting of the Company held on Monday, the 27th June 1977, a poll was taken on two of the subjects in the Agenda placed for the consideration of the general body viz., Election of Sri V.L. Dutt as Director and Election of Sri N. Srinivasan as Director. The results of the poll were declared as under:

RESOLUTION NO. 2—ELECTION OF SRI V.L. DUTT AS DIRECTOR:

Votes cast in favour of the resolution	:	6,458
Votes cast against the resolution	:	4,21,368

THE RESOLUTION WAS LOST.

RESOLUTION NO. 4—ELECTION OF SRI N. SRINIVASAN AS DIRECTOR:

Votes cast in favour of the resolution	:	2,760
Votes cast against the resolution	:	4,21,303

THE RESOLUTION WAS LOST.

In view of the results of the poll, both Sri V.L. Dutt and Sri N. Srinivasan have ceased to be Directors of The Madras Aluminium Company Limited from 27th June, 1977.

For THE MADRAS ALUMINIUM COMPANY LIMITED

Sd/

K, Subbiah
SECRETARY

Registered Office:
"Jayalakshmi"
Race Course
Coimbatore-641018.

curred by the union 'govern-ent for the provision of cilities in 1,000 primary health entres and 325 taluka hos-tals for strengthening their mily planning and welfare rogrammes in rural and semi-ral areas. By signing this greement Britain has fulfilled e pledge of £3 million for is purpose made at the Aid dia Consortium for the nancial year 1975-76.

nterest on Credit

The Reserve Bank has ad-sed the scheduled commercial anks, that, effective from July 977, they should charge in-rest on credit at monthly rests stead of at quarterly rests.

rade Development Authority

Trade Development Autho-ty has completed recently venth year of its operation. uring the seventh year it had rged ahead in further deve-ping export servicing techni-es. During the year 1976-77 is country had made concer-d efforts to enter into an era reducing balance of trade ficit. In fact the year 1976-77 ded with a trade surplus of 72 crore for the first time a decade. TDA on its part d contributed to achieve the ove objective. In fact, IDA's ntribution was recognised by government by bestowing it the national award outstanding export per-mance for the year 5-76.

The unique feature of TDA hat it provides all the inputs uired for exporting under roof. The major inputs vided by TDA in this regard creation of capacities, brin-product adaptation and ort marketing. In all these ctions, it had made distinct contributions in furthering the exports of its clients.

Awards in FAI Journals

The Fertiliser Association of India is publishing regularly a few journals for the last several years. Important among these are Fertilisers News. Fertiliser Marketing News (both english) and Khad Patrika (hindi). In order to encourage authors to contribute a larger number of articles for these journals, the FAI had instituted in 1971 annual awards to authors of outstanding articles published in its journals. To provide further encouragement to them, some member firms of FAI have kindly offered to establish a new series of awards to substitute the old ones. Not only that the quantum of awards for the first and second prizes has been increased, but also a third prize has been introduced for each series as recommended by the various selection committees over the last-couple of years.

IDBI Assistance for Power

Lack of infrastructure facilities, particularly electric power has been a serious handicap for the setting up of industrial units in most of the states in the north-eastern region and other areas falling in the Himalayan hill region. In order to enable the state electricity boards operating in these areas to step up their activities, IDBI had announced in September 1976 a scheme of concessional finance under its Bill Rediscounting Scheme. The state electricity boards concerned were made eligible for a reduced rate at 3½ per cent below the normal rediscount rate against the bills drawn against their purchase of machinery for the generation and distribution of power.

It has since been decided that industrial units may also be directly assisted by way of concessional finance for acquisition and installation of machinery and equipments for generation and distribution of power. For this purpose direct financial assistance on concessional terms up to Rs 2 crores will be provided to such units for setting up power generation and distribution systems. In respect of units in specified backward areas, this assistance will be available over and above the assistance available under the already existing scheme of concessional direct assistance operated by IDBI jointly with the other financial institutions. Details of the scheme are available with all the offices of IDBI.

Indian Standards Institution

As on March 31, 1976, over 8,500 Indian Standards were in force of which 77 per cent were implemented by important organisations. More than 5,100 licences covering annual pro duction value of Rs 1,100 crores had been issued under the ISI Certification Marks Scheme. This is revealed in the annual report of the Indian Standards Institution (ISI), released recently, covering the period April 1975 to March 1976, marking the completion of 29 years of its service to planned industrial development through standardisation and quality control. A total of 8,578 Indian Standards were in force on March 31, 1976, covering a wide range of materials, industrial and agricultural products, test methods and codes for design and construction practices. These standards provided the basic infrastructure for a national and orderly development of industry, trade and agriculture. Greater emphasis was laid, during the year, on the implementation of these standards.

The electronics industry is one of our fast-growing priority industries. In order to cater to the industry's growing need for standards for electronic and electromechanical equipment, components and devices, a separate division for electronics and telecommunication was created during the year.

National Consumer Protection Council

The government has decided to establish a National Consumer Protection Council. This apex body will advise the government on matters relating to maintenance and increase of supplies of essential goods, and securing equitable distribution of mass consumption articles at fair prices. It will also seek prevention of corrupt practices. The composition, scope and functions of this council are under the consideration of the government. This was revealed in the report of the ministry of Civil Supplies and Cooperation for the year 1976-77

Hindustan Cables

The Hindustan Cables, a public undertaking under the Department of Industrial Development, registered an increase of 12.89 per cent in production during April and May this year over the corresponding period last year. Their production during these two months amounted to Rs 6.74 crores as against Rs 5.97 crores last year. The Rupnarainpur unit of the company produced goods worth Rs 4.76 crores, which was very close to the last year's production of Rs 4.77 crores.

The production in the Hyderabad unit during these two months was worth Rs 1.97 crores, marking an increase of 64.71 per cent over the last year's production of Rs 1.19 crores.

Chemicals Laboratory of ONGC

A regional chemical laboratory of Bombay offshore project, of ONGC was inaugurated at Vidya Vihar, Bombay recently by Dr N.B. Prasad, chairman of the commission. The laboratory is equipped with the latest equipment and provides many testing facilities. This has been set up at a cost of Rs. 40 lakhs and provides facilities for study of phase behaviour of oil and gas, petrophysical studies on rock samples, evaluation of crude oil, natural gas, oil well cements, performance evaluation of drilling fluids and quality control of the drilling fluid chemicals and formation water analysis.

This laboratory facility will go a longway in further strengthening of the exploration and development activities of the Bombay offshore projects. Prior to establishment of the laboratory, these tests were being carried at ONGC's laboratories in Baroda or laboratories belonging to other organisations in Bombay. It may be mentioned here that production potential of nearly 35,000 barrels of crude per day has already been established in the Bombay High. It is proposed to gradually step up the production to about 80,000 (eighty thousand) barrels per day by the end of the year.

Nams in the News

Mr K.S.L. Anand, till recently General Manager of Fertilizer Corporation of India, Gorakhpur fertilizer factory, has joined the central office at New Delhi as the Officer on Special Duty (Personnel and Industrial Relations). An expert in the field, Mr Anand received his training in industrial management in the UK as a Colombo Plan scholar and masters' degree in Business Management from Michigan State University (USA).

The Associated Chamber of Commerce and Industry of India elected its managing committee for 1977-78. **Mr. A. W. B. Hayward,** (Shaw Wallace and Co Ltd) was elected as the president and **Mr F.A.A. Jasdanwalla,** (The Indian Standard Metal Co Ltd) was elected as the alternate president. Two deputy presidents are : **Mr D. Balasubramaniam**, (Messrs Peirce Leslie India Ltd) and **Mr L.M. Thapar,** (M/s Ballarpur Industries Ltd).

Mr P.J. Fernandes has taken over as Finance Secretary in the union government. He was earlier Secretary in the ministry of Chemicals and Fertilisers.

Mr Fernandes has had a distinguished academic career having topped in the university and won the Ellis prize, Lord Minto Scholarship and the Cusrow Wadia Gold Medal. He was Additional Textile Commissioner and later Executive Director of the State Trading Corporation of India.

Mr B.C. Biyani was recently elected President of the Tea Packeters' Association of India, Calcutta. He has had a long association with tea stretching over 23 years and is president of Jay Shree Tea and Industries Ltd.

Department of Atomic Energy

Directorate of Purchase and Stores

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay invites tenders as detailed below:

1. DPS/NFC/MTL/406 due on 8-8-77. Forged and annealed AISI H12 hot dia steel disc as per purchaser's tender specification. Qty. 20 Nos.
2. DPS/TAPS/ENG/1146 due on 20-7-77. Casting and machining of cast iron spider wheel as per drawing and tender specification. 3 Nos.
3. DPS/BARC/ENG/10195 due on 28-7-77. Stainless Steel high vacuum chamber as per tender drawing and specification. 1 set.
4. DPS/AMD/ELE/192 due on 3-8-77. Four conductor double armoured cable as per Purchaser's specifications—2000 mtrs.
5. DPS/RRC/MIA/423 due on 17-8-77. Laboratory Centrifuge swing out head type, Capacity 4×40 ml, 4000 RPM with speed regulation. 20 Nos.
6. DPS/RRC/IEE/294 due on 6.8.77 Recording electrobalance—1 No.
7. DPSiBARC/IEE/1142 due on 6-8-77 CW Dye Laser Pumped by CW Argon Iron Laser 1 No.
8. DPS/AMD/IEE/83 due on 7-8-77. Micro Altimeter, barometric—1 No.
9. DPS/AMD/IBE/84 due on 7-8-77. Two pen strip chart recorder Potentiometric. 3 Nos.
10. DPS/AMD/IEE/85 due on 7-8-77. Six pen strip chart recorder Potentiometric. 2 Nos.
11. DPS/BARC/IEE/1159 due on 16-8-77. Radioisotope calibrator for radionuclides 1 No.
12. DPS/BARC/IEE/1153 due on 11-8-77. Multipen Recorder for recording of Electric Signals from a transducer with accessories. 4 Nos.
13. DPS/BARC/IEE/1161 due on 12-8-77 High Sensitivity Pressure Transducer Piezoelectric type with accessories. 1 No.
14. DPS/BARC/R-5 MIA : 90 due on 8-8-77. Design, manufacture, testing and commissioning of various Public Address Systems, as per our tender booklet. Qty 4.
15. DPS/BARC/CAP/2548 due on 26-7-77. Supply, erection, testing and commissioning of single flow induced draft cooling tower of 2000 1 pm capacity and cooling range of from 40.6°C to 32°C complete with fans, motors, etc. 1 No. coupled with double suction horizontaly split type centrifugal Pumps of 2000 1 pm at 30m total head capacity for water circulation with motor, etc. 2 sets, as per purchaser's specification and drawing.
16. DPS/PPED/FAB/293 due on 15-7-77. Manufacture, premachining heat treating, finish machining inspection, testing and supply of Alloy Steel Forgings as per Purchaser's specification and drawing Qty. 20 Nos.
17. DPS/PPED/FEB/292 due on 27-7-1977. Manufacture, inspection, testing, packing and supply of 'Blind Hubs' in accordance with Purchaser's specification and drawing. Qty. 2 Nos.
18. DPS/TTP/FAB/1 due on 28-7-77. Supply of RCC Precast Water Tanks with all accessories as per Purchaser's tender specification. Qty. 94 Nos.
19. DPS/NFC/CAP/465 due on 2-8-77. Single stage, single suction horizontal centrifugal pump, capacity 5 cu m/hr—2 Nos. capacity 10 cu m/hr—2 Nos, vertical submersible centrifugal pump capacity 5 cu m/hr—2 Nos, as per purchaser's tender document.
20. DPS/RRC/FAB/168 due on 28-7-77. Design, supply of materials preparation of shop drawings, manufacture, shop testing, inspection, assembly, supply, crating, guarantee and delivery at Fast Breeder Test Reactor Site, Kalpakkam of Nitrogen Water Heat Exchanger as per Purchaser's tender document. Qty. 2 Nos.
21. DPS/NFC/CAP/466 due on 5-8-77. Design, manufacture, supply erection and commissioning of the extended runout table of extrusion press hot saw, fast spray cooling station, kick off mechanism. cooling bed and collection cradle complete with terminal equipment, electrical equipment and auxiliary systems, as per purchaser's tender document and drawing-set.
22. DPS/NFC/MTL/385 : due on 18-8-77. Elemental Solenium as per purchaser's tender specification. Qty. 1.2 M.T.

Tender documents priced Rs 10/- each for item 1 to 7, Rs 20 each for item 8, 11 to 13, Rs 25 each for item 9, 10 & 14, Rs 30 for item 15, Rs 50 each for item 16 to 19, Rs 100 for item 20. Rs 150 for item 21. and Rs 1 for item 22. each can be had from the Finance and Accounts Officer Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400 001 between 10 a m to 1 p.m. on all working days except on Saturdays. For all items except for item No. 15, 19 and 21 for which these will be available upto 22-7-77 28-7-77 and 2-8-77 respectively. General conditions of contracts priced Re 0.50P can also be had from the above office for item 1 to 15, 19, 21 and 22. Import Licence will be provided only if the items are not available indigenously for item 1 to 4; 6 to 13, 16, 19, 21 and 22. Tenders will be received upto 3 p.m, on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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UNITED INDUSTRIAL BANK LTD.

A Fruitful And Memorable year

RECORD IN THE RISE OF DEPOSITS

Address by Shri J.N. Biswas, Chairman at the 37th Annual General Meeting held on 24th June, 1977.

Ladies and Gentlemen,

I take great pleasure in welcoming you to the 37th Annual General Meeting of United Industrial Bank Ltd. I trust that the Annual Report together with the Balance Sheet as on 31st December, 1976 and the Profit & Loss Account for the year ended on that date are already in your hand.

The last few years of our Bank's 37 years of existence have been most memorable and fruitful. During these years, the bank's reserves and profit have increased appreciably and activities meaningfully diversified. This has been possible owing to the dedicated work of our Officers and staff, the sympathetic guidance of Reserve Bank, the friendly support of the public and the active participation of my colleagues in the Board.

On the deposit front, the bank recorded a rise of nearly 30% as against nearly 26% achieved by all scheduled commercial banks during 1976. Our deposits are broad-based and we continue to be people's bank. Nearly 99% of our depositors are small depositors.

Side by side with the growth of our deposit, the advance portfolio of the bank improved both qualitatively and quantitatively. It recorded a rise of 41% during the year. Brsides advances to commercial sectors, the bank has lent to priority sector particularly in agriculture. Its lending to priority sectors form 20.7% of its total advances. The growth in the amount of advances has been accompanied by a more than proportionate increase in the number of borrowers. Here again, we have concentrated more on small borrowers.



During 1976, the bank recorded a profit of over Rs 22 lacs which has been made after writing off all intangible expenses. The bank's reserves now exceed its paid up capital. It has also made full provision for gratuity.

As a result of better financial position of the bank, the Board of Directors have pleasure in recommending payment of a dividend at 5 per cent subject to tax. I am happy in being able to declare this almost maiden dividend of the bank. This has been approved by the Reserve Bank.

POLICY ON BRANCHES

In keeping with the social objectives, the bank has laid emphasis on opening branches in hitherto underbanked and unbanked areas. We realise that in order to revitalise the rural economy, it is imperative that each rural area is made a centre of balanced economic activity. The problem of rural reconstruction is not one of credit alone. It involves an integrated approach. In our own small way, we are endeavouring to meet the requirement of villages wherever we have branches. The majority of our bank's branches are situated in rural and semi-urban areas. To sustain the policy of making banking facilities available to the under-banked and unbanked areas, we have plan to open more branches in unbanked rural centres during the current year.

The bank has at the same time set its goal to open branches in other important centres of the country. I feel proud to inform you that our Connaught Circus Branch at New Delhi has been opened for business in May this year.

During 1976, the bank obtained licence from Reserve Bank of India to deal in Foreign Exchange. The bank's Foreign Exchange Department has been functioning effectively.

The total number of employees of the bank at present stands at over 800. It has a training centre for ensuring that its personnel are made conversant with the various activities of modern banking.

At this stage, I would like to take the opportunity to mention an emerging problem which is agitating the minds of private sector bankers. This problem emanates because of discrimination made between private and public sector banks by Central & State Governments under statutory provisions or under executive instructions which affects the deposit mobilisation of banks in the private sector.

I welcome the proposal made in the budget for amendment of the Income-tax Act so as to permit investment of religious and charitable trust fund with private sector banks in addition to public sector banks, I feel it is a step in the right direction and hope that likewise the other areas of discrimination between the public sector banks and the private sector banks will be removed.

Before I conclude, I once again wish to extend by gratitude to all the constituents and well wishers of the Bank, members of the staff, Reserve Bank of India and other authorities, shareholders and my colleagues in the Board for their unstinted support guidance and co-operation.

Thanks,

Sd/- J. N. Biswas
CHAIRMAN

24-6-77.

(This does not purport to be the proceedings of the Annual General Meeting)

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CONSUMERISM— AN OPPORTUNITY FOR INDUSTRY

Following is the speech delivered by Mr. T. Thomas, Chairman, at the 44th Annual General Meeting of Hindustan Lever Limited, held at Bombay on Friday, 24th June, 1977.

Introduction

As your company's main contribution as well as its source of strength has been the ability to harness the fruits of science and technology relevant for production of essential consumer products, I thought it would be worthwhile for me to tell you something about consumerism. The advance of consumerism and our response to it will have a significant effect on the future of our business.

What is Consumerism?

First of all, since it is a relatively new phenomenon, let me try to define consumerism. It is a social movement which seeks to protect and augment the rights of the consumer in relation to the producer. While the producer has the power or the right to design the product, distribute, advertise and price it, the consumer has only the power of not buying it. One may argue that the producer runs the greater risk inspite of having several rights because the veto power remains with the consumer. However, the consumer often feels that while she has the power of veto, she is not always fully equipped to exercise that power in her best interests. This situation may be the result of lack of information, too much indigestible information or even misinformation from one or several competing producers. This problem facing the consumer has led to 'Consumerism'. It is worthwhile to note that consumerism like several other social movements e.g. Suffragette movement, Independence movement, Civil Rights movement etc. has been the result of a social conflict and cannot therefore be wished away. It will be with us till the conflict facing the consumer is resolved.

Scope of Consumerism

Lest there be any misunderstanding that consumerism is related only to consumer products let me hasten to add that it relates to all goods and services bought by the consumer. In fact, it is more important that the consumer knows her interest much more clearly when she buys an insurance policy or a motor car or a 'zopadi' in Bombay or takes a bank loan, than when she buys a cake of soap because the single investment in the former items is much higher than in the normal consumer products and mistakes and their burden tend to survive longer. Then again there are public utilities such as bus and train services, electricity, etc., on which consumers spend significant amounts every month. In some of these public utilities like telephones and railways, consumers are represented in some form although the effectiveness of the representation could vary considerably. Consumerism in India has tended so far to centre around branded consumer products which cater to the urban population. But it is only a matter of time before consumerism embraces all important goods and services.

How did Consumerism Originate?

A. In the West: In the West, Consumerism has emerged after the countries concerned reached a level of affluence which is characteristic of what may be called the post-industrial society. There was adequate production and distribution of essential as well as luxury products. Under these circumstances the objectives of Consumerism were to seek more information about the merits of competing products and services and to represent the collective views of consumers in order to influence the producers.

As a result the Consumer movement in the West has resulted in greater concern for the claims being made by producers about their sophisticated products and in evaluation of alternative products and services available to the consumer.

Like most social phenomena, occasionally a spark or an individual can bring matters to a head as it happened with the thalidomide case and pharmaceutical companies or the Corvair car and automobile industry. But the basic undercurrent is the concern for more accurate information and security, especially about newer and more sophisticated products.

B. In India: In India the basic reasons for the origin of consumerism have been quite different as compared to the West, as outlined below:

(i) First of all, it was the shortage of essential consumer products and the inflation of early 1973-74 that gave a fillip to the consumer movement. It was not because the consumer was confronted with an abundance of products. She encountered shortages, adulteration and black market prices.

(ii) Secondly, Indian industry by and large has not achieved the level of affluence in technology or advertising to provide the range of alternative products and claims. It has largely been a market of shortages or high prices, although there are exceptions.

(iii) Thirdly, the Indian housewife has tended to be a more discriminating customer than her Western counterpart because (a) she has less money for discretionary spending and (b) she has more time to compare and decide on her purchases. Therefore, she is not easily taken in by appeals to impulses and desires.

As a result, the thrust of the Consumer movement in India has been on availability, purity and pricing of essential articles. Since the vast majority of consumers in India have to keep a precarious balance between income and expenditure the need to protect the interests of the consumer in these directions will assume greater significance. Therefore, consumerism has to be accepted as an enduring phenomenon in our country.

Evolution of Consumerism

Like other social phenomena, consumerism also will pass through a process of evolution. The first phase in the West was one of protests and investigations. In India too there has been an element of protest and militancy although not on the same scale as in the West because (a) the origin of Consumerism in India has been related to shortages and inflation, and (b) the Government have been very responsive to consumer needs and have taken legislative action.

The second phase is that of tightening implementation of existing legislation and increasing the scope of legislation. We are currently going through this phase with the Weights & Measures Act, Packaged Commodities Order, etc. The only point to be noted about legislation is that we should moderate our enthusiasm to copy more legislation from Western countries. For instance, it is far more important in India to enforce existing legislation with regard to adulteration of food, edible oils and other essential items used by the poorer sections than to be passing more legislation which applies mainly to the products used by the urban elite.

The third phase which is the one we have to prepare for and is the most important, is that of co-operative response from industry. Consumerism can be effective only with positive and responsible reaction from industry because legislation by itself can only provide a framework. For industry to provide such a response it is necessary for Government to realise some of the issues facing manufacturers and to help them solve them. On the other hand, industry has to realise that it can survive in the long term only by meeting the aspirations of the consumer.

Role of Government

Governments in all democratic countries have to be responsive to consumerism. In India particularly with our commitment to a socialistic society this response has to be in the interests of the more vulnerable sections of society. This points to a different kind of response than what has taken place in the West for the following reasons:

(i) Formally organised Consumer movements are limited to urban areas. If we take the vast majority of consumers in India, they are not organised in any formal movement except that they exercise their franchise as voters periodically taking into account, among other things, Government's ability to respond to their needs. Therefore Government have to anticipate and respond to a somewhat silent though significant consumer interest which is not represented by organised consumerism.

(ii) Unlike in the West, the vast majority of consumers in India are not so much concerned about luxury products but about basic necessities of life e.g. water, food, clothing, shelter, edible oils, mass transportation, fuel, electricity etc. While legislation concerning consumer products used by the urban elite is necessary, it does not represent the main core of consumer interest. The goods and services for the rural population have to be separately considered. How good is the distribution of goods, especially agricultural inputs and essential services like water, to them and how efficient are the roads, communications, electric supply, etc. to rural areas? In other words, Government response in India has to concern itself more with the problems of the rural, agriculture based consumer. So far it has tended to be more in relation to the urban prototype who tends to be more vocal and therefore commands more attention from Government. The anxiety to satisfy the needs of the vocal sections should not overshadow the needs of the silent rural population.

(iii) Again unlike in the West, some of the essential needs of the majority of consumers in India are supplied by Government departments or public sector undertakings e.g. food rations, water, electricity, kerosene and coal, urban transportation, railways etc. There are several other items whose availability and price are determined by Government policy on import and export e.g. edible oils, cotton, sugar. Therefore, in India the Government itself has a very direct and vital role to play in meeting the aspirations of the consumer.

In this connection, it is also necessary to avoid the temptation to blame the trade for some of the difficulties for which it is not responsible. For instance the recent spurt in price of groundnut and hence all other edible oils has been triggered off in late 1976/early 1977 by restrictions imposed by State Governments on movement of oils in a season which was subnormal. This action accentuated shortages. What can the trade in Bombay or Delhi do if the policy of State Governments is such as to negate the federal character of the economy and create conditions under which oil was being sold at half the price in Ahmedabad as compared to Bombay. God knows we have enough problems to solve by treating India as one economic entity! But if each State were to be allowed to function as a separate economic entity, distortions which lead to consumer distress are bound to occur.

(iv) Unlike in the West, the Government in India has a large number of controls on industry and is therefore in a position to respond more swiftly and effectively than Western Governments. In some ways our bureaucracy has perfected the art of assuming the guardianship of all interests of the consumers and the vulnerable sections. Perhaps it is more appropriate now to share the guardianship with at least the more responsible sections of industry and commerce which may be encouraged to play a more mature role than be treated as, and allowed to remain as, a kind of errant, retarded ward of the Government.

Apart from these significant differences in the role of Government between the West and India there is one other aspect of Government response which merits comment. There is a temptation to believe that a very simple solution to all consumer problems is to organise co-operatives. Such co-operatives are mostly distribution channels that will only displace normal trade which has proved its efficiency and economy over time. Consumer problems can be solved only by increased production at more economic prices. Mere displacement of one type of distributive agency by another will not solve the problem. Of course in areas where co-operatives can enter the field of production efficiently e.g. dairying, they will serve a larger purpose. But this has limited scope and cannot possibly cover all spheres of industry.

Role of Consumer Organisations

Commendable work has been done by voluntary agencies in many countries, including India, in extending the rights of the consumer by keeping the producers conscious of consumer rights and interests. In several Western countries there are

also official Government agencies specialising in consumer affairs. The main contributions of these organisations are in the following areas:

(i) Consumer Education: The consumer is given information about various consumer goods and services. This will relate to prices, what the consumer can expect, standard trade practices, etc.

(ii) Product Rating: In order to guide the consumer in her choice of products, some of the agencies carry out tests and report them. A very notable example is the magazine, 'WHICH' published by the Consumers' Association in UK. They rate not only 'Which' product, but 'Which' holiday. It also has companion magazines like 'Handyman Which' and 'Money Which'. In our own country the Journal of the Consumer Guidance Society of India has made a beginning in this direction.

(iii) Liaison with Government & with Producers: Another important role of the consumer organisations is to maintain liaison with producers on the one hand and Government authorities on the other. As Government is the key factor in meeting most consumer needs in India, these organisations have to realise that they have a larger role in that direction especially in India.In their relationship with industry Consumer movements should take note of the fact that it is actually in the interests of consumers that industry makes a reasonable profit and grows. It is only a growing and profitable business that can undertake the steps that are necessary to meet consumer aspirations. Contrarily when a business is not profitable it normally tends to erode quality, limit production and distribution, and withdraw from R&D etc. in an effort to ensure survival. This is not in the interests of the consumer. Therefore in dealing with producers, it is necessary to have a clear realisation that their profitable survival is in the interests of the consumer as well.

For effectively discharging the rights described above Consumer movements have to be careful that they are not used by politically motivated pressure groups to embarrass industry or the ruling party. This is a danger to which Consumer movements are often exposed. Furthermore, it is necessary for an effective Consumer movement to have qualified personnel who alone can render effective service in the long run by enlisting intelligent co-operation from industry and Government.

Consumerism & Marketing

Just like many other words and concepts, marketing has come to assume many meanings to many people. Therefore, it is advisable to go back to first principles and define marketing. It is the function of recognising and defining a consumer need and providing a product which satisfies that need. Marketing is not merely selling or distribution of products. In our country, where industry has been accustomed to a sellers' market in several products, or to the custom of sole selling agents in hereditarily managed companies, the distinction between marketing and selling has not always been clearly understood by industry or Government or the consumer. So let me describe the marketing function.

(i) The first step in marketing is to ascertain consumer needs and preferences. This is done through periodic studies of habits and attitudes which indicate current consumer practices and highlight areas of likely product opportunities. They tell us what the consumer needs as well as what she regards as unnecessary or redundant.

(ii) On the basis of such studies of consumer habits and attitudes, product ideas are generated and checked through concept tests. For instance, when the rest of the world had largely gone in for synthetic detergents in the powder form, we decided to test a detergent bar as a concept, because in India most people do not use washing machines or even buckets and are accustomed to using a bar to rub on the fabric.

(iii) Once the concept is found acceptable, the next step is to define the product in a product development brief. This states the attributes which the consumer will value (e.g. detergency, economy, etc. in the case of a detergent bar), and the approximate price which she would be prepared to pay for it. Based on this an indication of the maximum product cost that can be incurred and some minimum performance standards can be formulated.

(iv) The next step is for marketing management to work closely with their technical and commercial counterparts in order to evolve a feasible proposition, taking into account the constraints of cost and performance. The most promising formulations – there will be usually more than one alternative at this stage — will be produced on a small scale for product assessment.

(v) At this stage, the formulations are tested for safety in use. Apart from normal safety standards, for products which are for human consumption or come in contact with sensitive parts of the body, toxicological tests may have to be carried out in which the product is tested on animals and then on human beings. For example, sal fat, which is now being converted into a cocoa butter substitute by us, was tested thoroughly for its safety through extensive toxicological tests before being approved for use, although it was being traditionally consumed by Adivasis. As technology advances, it is not only pharmaceutical companies, but also many other manufacturers of consumer products, who will have to engage in toxicological and other safety testing procedures. Your company is a pioneer in the field.

(vi) Once safety clearance has been obtained, product assessment is carried out in the laboratory under conditions which simulate actual consumer habits and practices as closely as possible. It is meant to assess the performance of the product against targeted action standards given in the product brief, as well as against any other product which it is expected to displace. If the product proves to be unsatisfactory in this assessment, it is sent back for reformulation or redesign, and this process is repeated till it wins in product assessment and is ready for the next stage where packaging and storage characteristics of the product are tested out.

(vii) Most consumer products have to retain their quality for six months to a year, during which they may remain in all kinds of storage conditions,in their transit from the factory to the consumer's home. The climatic conditions in our country vary from the cold,dry winter in the North to the hot,humid summer in the South. Then again, the retail outlets, in which the product has to survive, vary from the excellent drug stores in cities to the all-purpose'kirana'shops in villages where conditions of storage expose the product to several strains. Furthermore, transport conditions can be another severe test on the product and its packaging. Road, rail, buses, bullock carts, head loads and all kinds of treatment have to be catered for in designing packaging for protection. For all these reasons, it is essential to carry out storage and transit trials with alternative packaging in order to evolve optimum formulation and packaging that will endure the severe conditions of transit and storage. Although we have devices to simulate climatic and transit conditions in our factories, these trials can sometimes take several months, even a year, because the final tests have to be carried out in the real-life situation.

(viii) The next step is that of consumer testing. The product which has been developed is tested by a large sample of randomly selected consumers who give us their opinion and assessment on critical consumer attributes and tell us how it compares with the product they normally use. We also take this opportunity to test different price levels to ascertain which price the bulk of consumers will be willing to pay on the basis of the new product's relative performance. This gives us a guide to the price we can charge and therefore indicates the economics of going ahead further with the product.

Usually these tests are conducted on a limited number of alternatives, and the best amongst them is selected if the consumer shows a significant preference.

(ix) The product finally selected in the consumer test is put to what is called 'test marketing'. For example, Liril soap, which we have successfully introduced nationally, was originally tested in two towns (Lucknow and Hyderabad) which were

selected because of their different characteristics which make them representative of a larger spectrum of towns in India. The product was distributed in all normal outlets in the whole town and supported by advertising to inform the consumer. The results of this test market enabled us to make several improvements which were successfully incorporated before the product was nationally extended. In some cases, test markets are also used to check the advertising that has been developed in order to ensure that communication is clear and effective. All advertising put out by the company is checked carefully by senior legal and technical managers in order to ensure that the claims made about the product are justified.

In addition, house-to-house distribution and introductory offers are operated in order to induce the consumer to test the product. The price of the product is also tested out, sometimes at different levels at different places.

Such test marketing is undertaken with certain pre-set action standards which the product has to achieve before a decision can be taken on extending its franchise to other towns. These action standards are usually expressed in terms of achieving a certain percentage of the total market sales for such products (i.e. market share). But in order to make sure that the market-share achieved is not based on novelty buying by the consumer, we arrange to collect data on repeat purchases and keep track of the market share for several purchase cycles before taking a decision about the success or otherwise of the product.

(x) At the conclusion of a test market we conduct a post-launch survey. Here we go back to the consumer to find out whether the earlier satisfaction continues to be derived, whether sufficient number of homes have tried and liked the product and whether the advertising is communicating what we intended it to. Necessary remedial steps are taken on the basis of these findings.

(xi) If the product meets or exceeds the action standards at an economic price, and if the optimum communication programme has been achieved and proven, then we have a product ready for what may be called a national launch. If it is an entirely new product, the launch may be initially limited to a region, both out of abundant caution and because the requisite production facilities may not have been fully established. It is not prudent to extend it nationally and then not be able to meet demand or to come across some unexpected deficiency.

(xii) Once 'national', the product's performance is monitored at regular intervals through retailer panels, consumer panels and consumer surveys, to ensure that it continues to satisfy the consumer need it was designed to meet.

Now if marketing is done in the manner described above, it is in complete consonance with consumerism because it is designed to serve consumer interests. Therefore, we see consumerism not as a threat but as an opportunity for those who have the ability and willingness to respond to consumer needs.

Role of Industry

Consumerism in India has not developed as a social reaction against overselling by industry as it happened in the West. On the contrary, it has been more a reaction to the evil effects of shortages and inflation. Therefore, industry in India has a unique opportunity to respond to consumerism in a positive manner as outlined below:

(i) First of all, marketing must be recognised and practised as something more than sales and distribution. It has to be seen as the Company's relationship with the consumer. In the wider context it can extend to be a part of the organisation's total responsibility to society. When we talk of social responsibility of industry, one of the prime social responsibilities is to discharge the one to the consumer through adoption of sound marketing methods.

(ii) Yet we cannot be complacent even with good marketing because it is not possible that many manufacturers, including large ones, always ask all the questions that are relevant to the consumer particularly with regard to product safety, comparative cost effectiveness, etc. Consumer movements tend to focus on such questions and could well be seen as an extension of the marketing role. Therefore industry should co-operate with the consumer movement in terms of information and education about products. Conversely, such information could also aim to educate the consumer about issues facing the producers, viz., cost of capital, norms of profitability, impact of Government policies, etc.

(iii) Industry will have to invest increasingly in testing the safety of products in use. It is far better to organise for this than to wait for nasty accidents which will make it all mandatory and exaggerated.

(iv) Dealing with consumer complaints satisfactorily is yet another responsibility of industry. Promptness, courtesy and generosity are expected by the consumer with a genuine complaint. Apart from the loss and irritation caused to the consumer, persistent complaints, even if small in number, are often a good indicator for necessary improvement.

(v) Another important role of industry is in relation to claims made on behalf of the products through advertising. Restraint is best exercised voluntarily than through legislation which will otherwise become inevitable. Advertising agencies and marketing management have a very important role to play in this respect. By overplaying the claims, they will be cutting the very branch on which they are perched.

(vi) Lastly, if industry has to continue to cope with consumerism it has to invest in R&D because consumer expectations and needs are constantly rising and the constraints on meeting them are changing. To cope with this effectively, industry has to find solutions through R&D. It is when consumer needs exceed industry's ability to meet them that consumerism tends to become menacing. With adequate anticipation by industry such a situation need not arise.

It is worthwhile to note that it is only the larger organisations that can discharge most of the responsibilities which are outlined above. Therefore it is not surprising that Consumer movements tend to concentrate on the activities of larger organisations. It is not because larger companies are at greater fault but because they tend to be sensitive and more responsive to consumers and are better equipped to respond favourably. This fact should be realised by all concerned and more dialogue between larger companies and Consumer movements should be encouraged. In the case of smaller manufacturers, legislative measures could perhaps be the only means of ensuring the necessary standards.

Conclusion

In conclusion, I would like to leave you with the following key points about consumerism in India:-

(a) Consumerism is a social phenomenon caused by the strains of shortages and inflation in our country.

(b) The causes of its origin and the areas of its potential contribution, are different in India as compared to the West.

(c) In India the Government has a very significant role in meeting the aspirations of the consumer in relation to her basic needs. This again is different from the West.

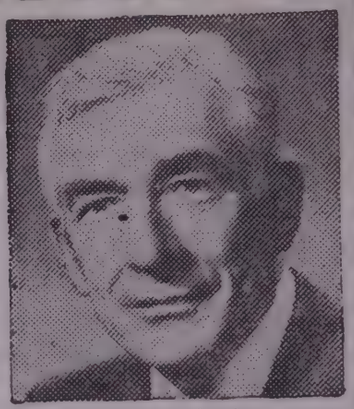
(d) Sound marketing practice and consumerism have identical objectives and therefore industry's response to consumerism has to be positive and through the practice of marketing as distinct from sales.

(e) Industry has to invest more in safety testing, consumer education and R & D to cope with the increasing needs of the consumer.

Note:—This does not purport to be a report of the proceedings of the Annual General Meeting.

CONTINUED RECESSION IN THE TYRE MARKET

• No fiscal relief for road transport
• 55% truck tyre excise duty remains



Excerpts from the address of Mr N.F. Cope, Managing Director, Goodyear India Limited, delivered at the Company's Annual General Meeting held on 25th June, 1977

The results for the year 1976 reflect the continuing recession in the tyre market which first became apparent in the latter part of 1975, and assumed serious proportion in 1976.

Industry production of car, truck, tractor and ADV tyres in 1976 at 43.5 lakh units was lower than in 1975 or 1974, and our estimate for 1977 is no more than 45 lakhs. On the other hand, installed productive capacity of the industry at the end of 1976, was some 56.5 lakh tyres, an excess of 13 lakhs.

On top of this, two new manufacturers commenced commercial production at the end of 1976 with combined installed capacities of a further 10 lakh tyres and a third new unit is expected to start up later this year with 5 lakhs capacity, for a total of 71.5 lakhs by the year end, or an estimated excess over market of some 26.5 lakh tyres.

The demand recession in our tyre market is mainly attributable to the depressed condition of the road transport industry. The heavy incidence of excise and sales taxes on vehicles, fuel and tyres, high road taxes, and delays at sales tax and octroi check posts continue to make the trucking business uneconomical.

Your company has already drawn these problems to the attention of the concerned authorities and requested suitable relief measures to revive the road transport industry. We must confess to extreme disappointment that our hopes for some tax relief in the recent budget for the road transport industry did not materialise, and truck tyres continue to be levied excise at the luxury rate of 55%. Even more disappointing, this rate continues to be levied on truck tyres supplied to the vehicle manufacturers, while passenger, tractor and now two and three wheeler original equipment tyres are exempt.

However, we are still hopeful that with the new Government's policy of stimulating rural development, the problems of road transport would receive urgent attention. The road users generate a revenue of Rs. 1,300 crores each year to the national exchequer, and some 30 million people are dependent on the road transport industry and its ancillary services for their subsistence.

In the middle of this rather difficult year, the excise relief scheme was implemented covering various products including tyres and tubes, under which clearance of qualified product in excess of a 'base year clearance' would receive a 25% reduction to the prevailing excise duty. This scheme has had two unfortunate effects on the tyre industry.

Firstly, the relief of 25% of the excise duty on tyres and tubes, which at 55% is the highest of any product covered, provides those fortunate enough to qualify for this relief with a significant price advantage which, in view of the unquestionable excess capacity, will unfortunately be used to acquire market share from the established companies who are unable to qualify, due to efficient production in the base years and the lack of a fortuitously timed expansion.

Secondly, those who can qualify for this relief are incentivated to further expand their production by any means, in order to reap the maximum advantage, to the detriment of the rest of the industry, who will be faced with production cutbacks and worker layoffs. This we do not believe to be in the national interest.

If Government desires to compensate the newcomers for their high equipment costs and borrowing rates,we suggest that this could be achieved without seriously injuring existing units or causing market disruption, through equipment grants, investment allowances, and preferential interest rates on equipment loans, which would be equally available for equipment replacement and modernization expenditures of the older companies.

Now for some good news, during the year under review, we introduced a new premium passenger car tyre, the Power Cushion, which very soon established itself as the prestige car tyre, and we have been unable to satisfy demand.

Your company is continually improving its product lines with technological improvements to existing products, and will be introducing new designs to meet market requirements. In this regard we are fortunate to have the support of Goodyear's worldwide R & D and testing facilities.

You will be pleased to know that our tyres were well represented in the winners circle at the Annual Grand Prix motor races held in 1976. At Bombay, Goodyear tyres were on six winners and six second place cars, while at Madras, twelve out of seventeen winners were using our tyres, as also were thirteen second place finishers. As in the rest of the world, Goodyear is the choice of champions in India.

Your company has a long history of assisting small and medium scale industries in the industrial rubber products field with technical assistance to manufacture quality products, and then providing expert marketing and distribution facilities. We believe this to be in consonance with national objectives, of stimulating small scale industries and are willing to provide such assistance to new units, but find that FERA regulations have hampered us in this effort. For the benefit of small scale industries, perhaps Government will consider relaxing FERA restrictions to allow larger more experienced corporations to assist.

Note : This does not purport to be a recording of the annual general meeting

GOODYEAR

COMPANY AFFAIRS

Bank of India

DURING 1976 the Bank of India completed 70 years of service in the field of banking. The bank has grown into a national institution with 1,035 branches in the country and 17 branches abroad. The year 1976 was also marked by several outstanding achievements. Its overseas branch network was strengthened with the addition of two more offices. Special efforts were made to channel foreign exchange remittances from Indian residents abroad through the bank's overseas branches. Assistance extended to the export sector reached new highs with sizeable credit going to non-traditional exports such as engineering and turnkey projects.

As regards the operations of the bank, the year witnessed a steady growh in deposits from Rs 1,132.10 crores at the end of 1975 to Rs 1,412.20 crores at the end of 1976. This represents an increase of Rs. 280.10 crore, or 27.7 per cent, compared with Rs 199.82 crores or 21.4 per cent in 1975. The total credit went up from Rs 809.82 crores at the end of 1975 to Rs 995.35 crores at the end of 1976, the rate of growth being higher at 22.9 per cent compared with 20.9 per cent in 1975.

The investment portfolio of the bank expanded by Rs 83.85 crores to Rs 389.71 crores at the end of 1976, representing an increase of 27.4 per cent as compared with the increase of Rs 41.46 crores or 15.7 per cent in the previous year. The gross income earned by the bank, after allowing for necessary provisions, amounted to Rs 132.18 crores representing an increase of Rs 25.17 crores over the income of Rs 107.01 crores earned during 1975. The bank earned a net profit of Rs 3.25 crores in 1976 as compared with Rs 3.20 crores in the previous year. After allocating Rs 1.25 crores to the reserve fund and Rs 1.09 crores to the contingency account, provision has been made to transfer the balance of profit of Rs 0.91 crore to the central government as dividend.

Vysya Bank

The deposits of the Vysya Bank Ltd increased during 1976 by 53 per cent from Rs 31.42 crores in 1975 to Rs 48.11 crores in 1976. The number of deposit accounts in the year 1975 were 195,228, which increased in 1976 to 723,127. Advances of the bank also increased in 1976 to Rs 36.47 crores against Rs 21.01 crores in 1975. Advances to priority sector increased from Rs 527.33 lakhs in 1975 to Rs 1006.36 lakhs in 1976, showing a rise by 100 per cent.

A statement issued by the bank has pointed out that three farmers cooperatives societies in Hanur, Bandehalli and Mooguru in Mysore district have been adopted by the bank and managing directors have been appointed. Credit deposit ratio in 1976 for the rural and semi-urban branches stood at 70 per cent and thus, the funds mobilised in semi-urban and rural areas have been lent in those areas for their development, unlike the general pattern of utilising rural funds to develop urban centres.

The bank has set an objective of 200 branches and Rs 100 crores of deposits to be achieved by 1978. The number of branches has reached 112 in 1976 which in 1977 may go up to 150. At present, the bank has branches in six states and in one union territory and in 1977 there are plans to open branches in six more states and three more union territories.

Net income of the bank has increased from Rs 16.43 lakhs in 1975 to Rs 24.43 lakhs in 1976. There is a tenfold increase in three years time in net income and about 50 per cent over 1975. The very first year of the foreign exchange business with only about eight months of performance, the bank has given total assistance of about Rs 3.19 crores to various exporters of mostly non-traditional items.

English Electric

The directors of the English Electric Company of India Ltd have recommended a dividend of Rs 2.80 per share, subject to deduction of tax, for the year ended March 31, 1977. The dividend, if approved by the members at the forthcoming annual general meeting, will be paid on and after October 6, 1977. Sales of the company during the year ended March 31, 1977 were around Rs 16.58 crores as against Rs 12.75 crores a year before. Profit before tax came to Rs 3.56 crores as against Rs 2.82 crores a year before. A sum of Rs 2.38 crores has been provided for taxation. A sum of Rs 1.90 lakhs has been appropriated as investment allowance reserve. Provision for dividend subject to deduction of tax is Rs 63 lakhs and a sum of Rs 52.86 lakhs has been transfered to general reserve.

Sandoz

Sandoz (India) Ltd has recorded a turnover of more than Rs 31 crores during the year ended December 31, 1976 showing the rise of more than nearly 32 per cent over the previous year. Profit before tax was of the order of Rs 3.24 crores and profit after tax was Rs 79 lakhs.

From the profit for the year 1976, the directors recommend payment of a dividend amounting to Rs 1.40 per share (14 per cent), subject to the deduction of tax at the appropriate rate on 1,875,000 fully paid-up equity shares of the company. The proposed dividend if approved at the annual general meeting will absorb Rs 26.3 lakhs.

The directors have reported that the activities of the textile industry by and large were stagnant during 1976. Continued credit restrictions added to the difficulties of the mills. However, as there was an increase in demand for polyester, more dyes and chemicals were required by this sector. The leather industry, in which the products of the company find a wide application, had a good year with a large increase in the production of finished leather. The favourable demand in leather and in the synthetic sector of the textile industry allowed the company to progress in a significant way.

The turnover of the pharmaceutical division of the company has progressed at nearly

the same growth rate as the previous year. The sales to government institutions have, however, been somewhat lower than in 1975. Several institutions accepted the increase in excise levies and resulting price revisions only with delay. This, understandably, has had an adverse effect on the turnover. Specific efforts have been undertaken by the company to increase the efficiency of the distribution system.

Hindustan Everest Tools

Hindustan Everest Tools Ltd has reported an improvement in its performance during the year ended March 31, 1977. The turnover of the company has touched the figure of Rs 2.51 crores as against Rs 1.82 crores last year, registering an increase of about 38 per cent. The exports have also increased from Rs 1.23 crores to Rs 1.86 crores which is an increase of over 51 per cent. The company has now established itself as one of the biggest exporters of hand tools and is exporting to more than 50 countries around the globe. The export for this year amounted to about 77 per cent of the total production. In recognition of its export efforts, the company was awarded by the union government a certificate of merit for outstanding export performance for the year 1975-76.

The company's profitability has also registered a sizeable increase. The gross profit has increased from Rs 21.27 lakhs to Rs 30.07 lakhs this year, an increase of nearly 41 per cent over the last year's performance. The net profits before tax for 1976-77 was Rs 20.84 lakhs (Rs 16.48 lakhs last year) after providing Rs 5.74 lakhs for depreciation. The company has also provided Rs 6.00 lakhs for taxation (Rs 2.80 lakhs last year). The board of directors has proposed a dividend of Rs 1.30 per share on equity shares of Rs 10 fully paid up, as against Re 1 per share declared last year. The proposed dividend will absorb Rs 3.24 lakhs.

The company is likely to complete Phase-I of its modernisation and diversification programme and with that it will be fully equipped for production of high quality tools in a wide range. The union government has approved the collaboration agreement entered into by the company with a world patent holding Swiss company for manufacture of special tools, which will go a long way towards import substitution. The company already registered with DGTD for production of broaches, has designed and developed many new types of broaches for which there is a great demand in India as well as international markets.

Seven Seas Transportation

The directors of Seven Seas Transportation Ltd have revealed a gross profit of Rs 1.96 crores during the year ended December 31, 1976 as against to Rs 2.10 crores a year before. A sum of Rs 1.88 crores was provided for depreciation. The directors have reported that the major portion of the company's tonnage was deployed on voyage basis. The year 1976 witnessed deterioration in the freight market. For bulk carriers under the Indian flag, food imports did provide good support till the latter part of the year after which as a result of the decision to ban imports of foodgrains this avenue of deployment has gradually dried up for the present.

World trade staged a recovery in real terms in 1976 from the decline suffered in 1975. However, the additional tonnage which came on the market in 1976 was well in excess of that required to carry the increased volume of bulk cargo available particularly in the background of the surfeit of tonnage in operation at the beginning of the year. This tended to kep freight rates depressed.

During the year under review the ships of the company carried a total cargo of 662,556 tons, 87 per cent of which consisted of cargo originating or terminating in India. The fleet of the company as on December 31, 1976 was adequately insured against marine and war risks for Rs 26.50 crores.

Unit Trust

Sale of units under the Unit Schemes, 1964 and 1971 which had been suspended by Unit Trust of India from June 6, 1977 for the purpose of the annual closing of its accounts, has now been resumed from July 1, 1977. Units will be available for sale at the special price of Rs 10.70 per unit throughout the month of July. It is customary for the trust to sell units at a special concessional price at the beginning of its accounting year. This special price will operate only till July 30, 1977. Thereafter, the normal pricing policy of the trust will apply. There will be no repurchases of units under the Unit Scheme 1964 during this period. However, repurchases under Unit Scheme 1971 will continue as usual. While sale of Capital Units under Unit Scheme 1976 remains suspended, repurchases will continue as usual.

News and Notes

The 1.5 per cent debentures 1972-77 of **Tata Engineering and Locomotive Co**, for Rs 5 crores are due for repayment on September 30, 1977. However, in view of the increase in the manufacturing activities of the company's works at Jamshedpur and Pune due to its expansion programme, the company's need for funds has increased. The company, therefore, needs to retain the amount of Rs 5 crores secured by these debentures. The company proposes to extend the maturity date of these debentures to September 30, 1989, and from October 1977, the rate of interest will be raised to 10.5 per cent. The debentures will be redeemed in five equal instalments of Rs 1 crore each commencing from September 30, 1985. It is also proposed that subject to the approval of the company's shareholders, the Controller of Capital Issues and other authorities, debenture holders whose names stand on the company's register of debentures on September 30, 1982 will have the option to subscribe at any time between October 1, 1982 and March 31, 1983 for equity shares of the company of a face value not exceeding 20 per cent of the face value of the debentures at a price of Rs 225 per share including a premium of Rs 125 per share, or at such premium as may be fixed by the Controller of Capital Issues. Adjustment will be made in the conversion price in case the company issues bonus shares in the intervening period. Those debentureholders who are not agreeable to the extension of the maturity date have to inform the

company before September 30, 1977 and will be paid in cash on due date.

New Issues

Coates of India Limited, is entering the capital market on July 11, 1977 with an offer of 200,000 equity shares of Rs 10 each for cash at a premium of Rs 6 per share. The issue will close on July 21, 1977 or earlier at the discretion of the directors, but not before July 13, 1977. The company has an authorised capital of Rs 1 crore and issued subscribed and fully paid up capital of Rs 72.18 lakhs. The present issue offered for public subscription is Rs 20 lakhs. The entire issue including the premium to be paid in terms of the prospectus has been under written by New India Assurance Co Ltd, Bombay, National Insurance Co Ltd, Calcutta, General Insurance Corporation of India, Bombay, Grindlays Bank Ltd, Calcutta, Vijaya Bank Ltd, Bangalore, Bhupendra Champaklal Devidas, Bombay, Valji Bhimji and Co, Bombay, Harkisondass Lukhmidass, Bombay, D.S. Purbhoodas & Co, Bombay, L. K. Panday, Bombay, Place, Siddons & Gough (P) Ltd, Calcutta, Stewart & Co, Calcutta, G. M. Pyne, Calcutta, C. Mackertich, Calcutta, Brijnath Khandelwal & Co, Calcutta, Raja Ram Bhasin & Co, Delhi, M. L. Dhuper & Co, Delhi, Vinod Kumar & Co, Delhi, J. C. Mehta & Co, Delhi, M. Nanjappaiah Jahgirdar, Bangalore, Vijai & Co, Bangalore and Jahgirdar & Co, Bangalore.

Incorporated in 1947 in Calcutta, the company has been engaged in the manufacture of printing inks and printers' sundries. The company has well-equipped and modern factories at Calcutta, Bombay, New Delhi and Madras. Originally the company was a wholly owned subsidiary of Coates Brothers ond Company Ltd, London, which has a worldwide reputation in the manufacture of printing inks, printers' synthetic resins and other surface coating materials. The foreign shareholding in the company was reduced to 66-2/3 per cent in 1962. The present public issue is being made in order to achieve further dilution of foreign holding to 40 per cent.

Research and Development

The company has well-equipped research and development laboratories at Calcutta and Bombay, which have been highly successful in the area of import substitution and improving the quality of the company's products. The UK company is also rendering assistance to the Indian company to keep itself abreast of the latest developments in modern technology. The board of directors of the company consists of persons who have considerable experience in industry, finance and management. Mr S B. Aibara, Vice-Chairman of ITC Ltd is the chairman of the company.

The company has a sound financial record. Sales increased from Rs 506.10 lakhs in 1975 to Rs 585.78 lakhs in 1976, and pre-tax profit from Rs. 38.41 lakhs to Rs 51.60 lakhs. The company declared dividends of 25 per cent and 22 per cent in 1972 and 1973 respectively. Dividend in 1974 was restricted to 12 per cent under the Companies (Temporary Restrictions of Dividends) Act, 1974. In 1975, the company had a one to one bonus issue and maintained the dividend at 12 per cent. In 1976 a dividend of 15 per cent was paid. The present public issue will make the company qualified for enlistment of its shares in the stock exchanges and on such enlistment, the company's tax liability will be reduced leaving a larger net income. The company's capital and reserves and surplus as at October 31, 1976 were Rs 72.18 lakhs and Rs 66.90 lakhs respectively. One of the principal attractions of this issue arises from the directors having decided to allow the



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new shares to participate in the dividend that may be declared for the year ending on October 31, 1977 in the proportion of the capital paid up on these shares, but without any stipulation as to the period for which the new shares are in existence. This incentive should make the issue attractive. The public issue is managed by Grindlays Bank Ltd, Merchant Banking Division, Bombay.

Industrial and Agricultural Engineering Co, (Bombay), known as IAEC, which is engaged in the manufacture of boilers, heat exchangers and water treatment plants at Bhandup, Bombay, proposes to diversify its activities and set up a project at Ahmednagar (Maharashtra) for manufacturing safety valves and waste fuel and coal firing equipments which are presently imported from West Germany. The total cost of the project is estimated at Rs 73.10 lakhs. To meet a part of this project cost, the company proposes to make a public issue of Rs 37.10 lakhs shortly. The public issue will also enable the company to get its shares listed on the stock exchange. The company's technical collaborators for its various existing lines of manufacture are firms such as Siller and Jamart of West Germany, Societe Hamon Sobelco of Belgium, Cass AG of West Germany and Bopp and Reuther of West Germany.

Besides the manufacturing activities, the company is also engaged in the marketing of electrical switchgear, power factor improvement, capacitors, vertical turbine pumps, machine tools and environmental control plants and instrument transformers. Its present share capital is Rs 16.46 lakhs. It has reported encouraging progress in the past few years. Sales during the year ended September 1976 were Rs 7.79 crores against Rs 7.15 crores in the previous year. The gross profit was higher at Rs 23.41 lakhs against Rs 8.89 lakhs, and the net profit of Rs 8.11 lakhs against Rs 2.53 lakhs. Dividend for 1975-76 was higher at 12.5 per cent against 10 per cent for 1974-75. For the current year the turnover is expected to be around Rs 8.46 crores yielding a net profit of Rs. 8.71 lakhs.

Synthetic Detergents

A Rs 5-crore project is being set up in the joint sector at Rajpura in Patiala district of Punjab for the manufacture of 10,000 tonnes of synthetic detergents, 7,200 tonnes of toilet soaps and 450 tonnes of glycerine per annum. Synthetic detergents will be manufactured by the latest sulphur burning process and patented ballestra process for spray drying thereby resulting in uniformly good quality. The company expects to market a major portion of its production in north India. The promoters are the **Punjab State Industrial Development Corporation and Dai-Inchi Karkaria Private Ltd Bombay**. DIK, which will provide the necessary technical know-how, is presently engaged in the manufacture and cationic surface active agents, besides a wide variety of emulsifiers and speciality chemicals. Its sulphonation plant at Pune is employing the same sulphonation process that will be used by the new company for manufacturing synthetic detergents. The construction of the factory is expected to be completed by November 1977. The cost of the project is proposed to be met by share capital (Rs 1.90 crores) term loans (Rs 2.76 crores) and deferred credit (Rs 34 lakhs). The company proposes to issue shortly 882,000 equity shares of Rs 10 each and 10,000 (11 per cent) cumulative redeemable preference shares of Rs 100 each.

Duphar-Interfran will issue on July 18, 200,000 equity shares of Rs 10 each at a premium of Rs 2.50 per share. The issue is being made with the primary objective of reducing the foreign shareholding from 50 per cent to 39.18 per cent and getting the shares listed on the Bombay Stock Exchange. The proceeds will be utilised for working capital requirements. Its products now include 'Crokkes' transfusions, crosin and lactoca/amine and Duphar's research specialities of vasolidators and progestational agents. With the cooperation of M.V. Philips, the technical collaborators, the company has obtained a letter of intent for the manufacture of their research drug, isoxsurprine hydrochloride in 1974. The company hopes to start the manufacture of this important basic drug by the end of 1977.

The company has reported encouraging performance for the past few years. Sales have risen from Rs 4.62 crores in 1975 to Rs 5.41 crores in 1976, the gross profit from Rs 58.66 lakhs to Rs 62.85 lakhs and the net profit from Rs 18.41 lakhs to Rs 20.45 lakhs. Equity dividend has been raised from 11 per cent to 12 per cent. The management expects that subject to unforeseen circumstances, the company will be able to continue payment of a satisfactory dividend on the enhanced capital following the proposed public issue.

Rayalaseema Paper Mills a Rs 41 crores paper project is being set up in the joint sector near Kurnool (Andhra Pradesh). The project has been undertaken by Shree Rayalseema Paper Mills, a company promoted by Andhra Pradesh Industrial Development Corporation and Mr T. Vasantha Gupta and his associates. The company holds an industrial licence for manufacturing 35,000 tonnes per annum of paper grade pulp and writing and printing papers. It proposes to use conventional raw materials such as bamboo and hardwood. Bhargava Consultants, New Delhi, have been appointed technical consultants for the project.

It is estimated that the company will require about 41,000 tonnes of bamboo and 45,000 tonnes of hardwood per annum. The state government has agreed in principle to supply 45,000 tonnes each of bamboo and hardwood to the company. It has earmarked the Nellamal forest area in the Kurnool district for the hardwood requirement of the company. The company will get its bamboo supplies from the same forest. The company expects to commission the plant by December 1978 and commercial production is expected to start by January 1979. The capital outlay is proposed to be met by share capital (Rs 10.05 crores), term loans and debentures (Rs 29.80 crores), central government subsidy (Rs 15 lakhs) and interest-free loan from the state government (Rs one crore). The company proposes to enter the capital market shortly with a public issue of Rs 588.35 lakhs, comprising 4,463,000 equity shares of Rs 10 each and 90,000 (11 per cent) cumulative redeemable preference share of Rs 100 each.

Licences and Letters of Intent

IE FOLLOWING licences and letters of intent were issued under e Industrial Development and Regulation Act 1951 during the onth of May 1977. The list contains the names and addresses licensees, articles of manufacture, types of licences—New ndertaking (NU); New Articles (NA); Substantial Expansion E); Carry on Business (COB); Shifting—and Annual Installed apacity. Details regarding licences and letters of intent voked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries

M/s Bharat 2M Processing Industries Ltd, PO Beliatore, stt Bankura, (West Bengal) (Bankura-West Bengal)—Chain ng Hocks—200 tonnes, Studs for Ship Chains—100 tonnes, aster Rings—50 tonnes, Steel Forgings—1200 tonnes—(NU)

M/s Steel Strips Ltd, S.C.O. 54, 55 & 56, Sector 17-A, Chandi-rh-160018 (Sangrur-Punjab)—Mild Steel/High Carbon/Low loy Cold Rolled Steel Strips—10,000 tonnes—(NU)

M/s Industrial Cables (India) Ltd, Jeevan Tara Building, rliament Street, New Delhi-110001 (Jind-Haryana)—Steel Wire pes—3,6000 tonnes—(NA)

Fuels

M/s The Tata Iron & Steel Company Ltd, Bombay House, Homi Mody Street, Fort, Bombay-400023 (Hazaribagh-Bihar) Raw Coal—From 0.7 million tonnes To 2.5 million tonnes ter expansion)—(SE)

Electrical Equipment

M/s Larsen & Toubro Ltd, L & T House, Narottam Morarjee arg, Ballard Estate, Bomboy-400038 (Bombay-Maharashtra)—oulded Case Air Circuit Breakers—20,000 Nos (after expan-n)—(SE)

M/s Semiconductors Ltd, Ador House, 6-K, Dubash Marg, ampart Row), Bombay-400001 (Poona-Maharashtra)—Integ-ed Circuits—2 million Nos—(NA)

M/s Keltron Power Devices Ltd, Keltron House, Vellayam-am, Trivandrum-695001 (Trichur-Kerala)—Power Transistors million Nos—(NU)

M/s Ferro Magnets and Allied Products Ltd, Shanti Build-s, 9, Mount Road, Madras-600002 (Ramnad-Tamil Nadu)—rd Ferrite Magnets—50 tonnes—(NU)

M/s Semi Conductors Ltd, Ador House, 6-K, Dubash Marg, ampart Row), Bombay-400001 (Poona-Maharashtra)—Silicon ctifiers (upto 30 amps)—3,00,000 Nos, Silicon Rectifiers (more n 30 amps)—20,000 Nos, Silicon Controlled Rectifiers (upto amps)—20,000 Nos, Silicon Controlled Rectifiers (more than amps)—15,000 Nos—(NA)

M/s Advani Oerlikon Ltd, Ador House, 6-K, Dubash Marg, O Box 1546, Bombay-400001 (Poona-Maharashtra)—Equip-nt and Accessories for Heat Treatment of Welded Structures Worth Rs 25,00,000, Contract work in heat treatment—Worth 50,00,000—(NA)

M/s Emco Esta Capacitors Ltd, 94, Nagindas Master Road, edows Street), Fort, Bombay-400001 (Maharashtra)—LT and Power Factor Capacitors—15,000 KVAR (existing)—40,000 AR (after expansion)—(SE)

M/s Andhra Mechanical & Electrical Industries Ltd, Dayalu, -605/1, Elchiguda, Secunderabad-500003 (AP) (Hyderabad-dhra Pradesh)—132 and 920 KV Current Transformers—120 s—(SE)

Telecommunications

M/s Anand Electronics, 21/24, Dwarkadeesh Road, Kanpur-001 (UP) (Kanpur-UP)—TV Picture Tubes—40,000 Nos

Transportation

M/s Jessop & Co Ltd, 63-Netaji Subhash Road, Calcutta-1 (24-Parganas-WB)—Shuttle Dumpers (upto 17 tonnes)—50 Nos —(SE)

M/s Fuel Injections Ltd, Chitalsar Manpada, Thana (Maharashtra) (Ahmednagar-Maharashtra)—Single Cylinder Pumps—0.36 lakh nos (existing)—0.75 lakh nos (after expn), Elements—0.96 lakh nos (existing)—3.50 lakh nos (after expn), Delivery Valves—0.96 lakh nos (existing)—3.50 lakh nos (after expansion), Nozzles—1.20 lakh nos (existing)—6.00 lakh nos (after expansion), Nozzles Holders—0.36 lakh nos (existing)—1.00 lakh nos (after expansion)—(SE)

M/s Jaya Hind Industries Ltd, Akurdi, Poona-411035 (Poona-Maharashtra)—Flywheel Magnetes—2,00,000 Nos (after expansion)

Industrial Machinery

M/s Ion Exchange (India) Ltd, Tiecicon House, Dr E. Moses Road, Bombay-400011 (Maharashtra)—Water Treatment Plants —Rs 240 lakhs (after expn), Ion Exchange Resins—50,000 cu ft (after expn)—(SE)

M/s Industrial & Agricultural Engg Co (Bombay) Pvt Ltd, 43, Dr V.B. Gandhi Marg, Bombay-400023 (Greater Bombay-Maharashtra)—Industrial Fluid Filters for filtration of air, gases and liquid—Within the overall licensed capacity of Rs 12 lakhs for the manufacture of Industrial Air Filters under Industrial Licence No L/3-1/EEI/62 dated 26.6.1962, read with letter No EEI-2(30)/72 dt 6.2.73—(NA)

Machine Tools

M/s Bharat Fritz Werner Pvt Ltd, Peenya, Yeswantpur PO, Bangalore-560022 (Bangalore-Karnataka)—Special Purpose Machines of Unit head type (Maximum power of individual unit restricted to 7 HP)—31 Nos, Accessories for machine tools—Rs 31 lakhs—(COB)

Agricultural Machinery

M/s Usha Telephoist Ltd, 14, Princep Street, Calcutta-700032 (Ghaziabad-UP)—Multi-purpose high pressure pumps upto max. 220.2 H.D.P.—150 Nos, Accessories for above—150 Nos—(NA)

Chemicals (Other than Fertiliser)

M/s Hindustan Insecticides Ltd, Hans Bhavan, Ground Floor, Bahadur Shah Zafar Marg, New Delhi-110002 (Colaba-Maharashtra)—Malathion Technical—1,800 tonnes (after expansion)—(SE)

M/s Alembic Chemical Works Co Ltd, Alembic Road, Baroda-3 (Baroda-Gujarat)—Benzaldehyde—300 tonnes—(NA)

Dyestuffs

M/s Amar Dye-Chem Ltd, Rang Udyan, Sitladevi Temple Road, Mahim, Bombay-400016 (Thana-Maharashtra)—Optical Whitening Agents—50 tonnes (existing)—100 tonnes (after expn) —(SE)

Drugs and Pharmaceuticals

M/s Standard Pharmaceuticals Ltd, 24-Park Street, Calcutta-700016 (Hooghly-West Bengal)—Homavitron Liquid—30,000 litres—(NA)

M/s Tamil Nadu Dadha Pharmaceuticals Ltd, 10, Jayporenagar, Madras-600086 (Chingleput-Tamilnadu)—Transfusion Solution based on Dextrose, Saline, Ringer Lactate, PVP, etc—6,00,000 bottles of 540 ml each—(NA)

Textiles

M/s Asarwa Mills Ltd, PO Asarwa, Ahmedabad-380016 (Ahmedabad-Gujarat)—Cotton Yarn—15,289 spindles (Addl)—50,000 spindles (After expansion)—(SE)

M/s Oswal Woollen Mills Ltd, Miller Ganj, Ludhiana-141003 (Ludhiana-Punjab)—Worsted Spindles—1,200 spindles, Power Looms—20 looms—(SE)

M/s Oriental Carpet Manufactures (India) Ltd, Post Box No.

34, Amritsar (Amritsar-Punjab)—Worsted Spindles—1,200 spindles, Power Looms—20 looms—(SE)

Sugar

M/s The Palair Co-operative Sugar Ltd, Rajeswarapuram, Khammam Distt (AP) (Khammam-Andhra Pradesh)—Sugar—1250 tonnes daily cane crushing capacity—(NU)

M/s Nizam Sugar Factory Ltd, Post Box No. 1, Kharatabad PO, Hyderabad (AP) (Nalgonda-Andhra Pradesh)—Sugar—1250 tonnes daily cane crushing capacity—(NU)

M/s Palakol Cooperative Agriculture and Industrial Society Ltd, F-21, Poolapalli (via), Palakol, West Godavari Distt, Andhra Pradesh (West Godavari-AP)—Sugar—600 tonnes (Addl) —1600 tonnes (After expansion) (In terms of daily crushing capacity)—SE

M/s Motilal Padampat Udyog Ltd, Gutaiya, Post Box No 69, Kanpur (UP) (West Champaran Bihar)—Sugar—476 tonnes (Addl)—2,000 tonnes (After expansion) (In terms of daily cane crushing capacity)—(SE)

M/s Walwa Taluka Sahakari Sakhar Karkhana Ltd, Sakharale, Post Islampur, Taluka Walwa, Distt Sangli (Maharashtra) (Sangli-Maharashtra)—Sugar—750 tonnes (Addl)—2,000 tonnes (After expansion) (In terms of daily cane crushing capacity)—(SE)

M/s The UP State Sugar Corporation Ltd, 25-B, Ashok Marg, Lucknow-226001 (UP) (Meerut-Uttar Pradesh)—Sugar—360 tonnes (Addl)—1'500 tonnes (After expansion) (In terms of daily cane crushing capacity)—(SE)

M/s Lord Krishna Sugar Mills, Saharanpur, Distt Saharanpur (UP) (Under the management of the UP State Sugar Corpn Ltd, Lucknow). (Saharanpur-(UP)—Sugar—675 tonnes (Additional)—2,000 tonnes (After expn) In terms of daily cane crushing capacity)—(SE)

M/s Shri Janki Sugar Mills & Co, Doiwala, Distt Dehra Dun (UP), (Under the management of the UP State Sugar Corpn Ltd, Lucknow). (Dehra Dun-UP)—Sugar—600 tonnes (Additional) —1500 tonnes (After expn) (In terms of daily cane crushing capacity)—(SE)

M/s The UP State Sugar Corpn Ltd, Unit: Sakhoti Tanda Distt Meerut (UP) (Meerut-UP)—Sugar—78 tonnes (After expansion) (In terms of daily cane crushing capacity)—(SE)

M/s Govind Ballabh Pant Sugar Factory, Kiccha, Distt Nainital, Uttar Pradesh, (Nainital-UP)—Sugar—1,000 tonnes (Addl)—3,000 tonnes (After expn) (In terms of daily cane crushing capacity)—(SE)

M/s Amritsar Sugar Mills, Rohanakalan, Distt Muzaffarnagar (UP) (Under the management of the UP State Sugar Corpn Ltd, Lucknow). (Muzaffarnagar-UP)—Sugar—450 tonnes (Additional) —2100 tonnes (After expansion) (In terms of daily cane crushing capacity)—(SE)

M/s Tulsipur Sugar Co Ltd, 9/1, Ramkumar Rakhit Lane, Calcutta. (Gonda-Uttar Pradesh)—Sugar—359 tonnes (Additional)—1700 tonnes (After expn) In terms of daily cane crushing capacity—(SE)

Leather and Leather Goods

M/s Panjab Tanneries Ltd, Nakodar Road, Post Box No 602. Jullundur—3. (Jullundur-Punjab)—Sports goods leathers including football, volleyball, Leather for shoes uppers, Wet blue Cow Katai Chrome tanned, Belting leather—Total capacity 1,02,000 hides, Sheep and goat skins for sports goods industry, Chrome leather suede leather etc, Wet blue goat and sheep, Lining leather for shoes from sheep and goat skins—Total capacity 2,88,090 skins—(NU)

M/s Bihar State Leather Industries Dev Corpn Ltd, Boring Road, Patna-800013 (Bihar). (Baraunt-Bihar)—Finished Chrome Upper Leather—36 lakhs sq ft—(NU)

Glass

M/s Swastik Rubber Products Ltd, Swastik House, Khadki Puna-411003. (Poona-Maharashtra)—Bullet Proof and Crash Helmets—1,50,000 Nos—(NA)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Secals Ltd, 10, Rutland Gate, IV Street, Madras-60000 (North Arcot-TN)—Alloy Steel Castings—275 tonnes, Alloy Iron Castings—50 tonnes, Haste Alloy Castings—25 tonnes—(NA)

M/s Visvesvaray Iron and Steel Ltd, Bhadravati, Karnataka State (Shimoga-Karnataka)—Ferro Vanadium—100 tonnes—(NA)

M/s Vardhman Spinning and General Mills Ltd, Post Box No. 105, Chandigarh Road, Ludhiana (Gurgaon-Haryana)—Forging Quality Steel Billets, Rounds, Squares etc—28,800 tonnes—(NA)

M/s East India Industries, 616, Chittaranjan Avenue Calcutta-700007 (WB) (24-Paraganas-West Bengal)—Closed Die Forgings of Carbon and Alloy Steel—4200 tonnes—(NA)

M/s Aryavarta Industries (P) Ltd, 2, Biplabi Trilokya Maharaj Sarani, Calcutta-700001 (Backward Dist-Gujarat)—Precision Sheet Metal Self Tapping Screws—600 tonnes—(NU)

M/s Hindustan Rollings & Wires (P) Ltd, 41/4 Bahalgarh Sonepat Road, Sonepat (Haryana) (Sonepat-Haryana)—Wire Nails—1,200 tonnes—(NA)

Shri Devinder Mohan Gupta, 5E/19, Bangalow Plot, NIT Faridabad (Haryana) (Aurangabad-Maharashtra)—Closed Die Forgings of Carbon Steel and Alloy Steel of Piece weight above 50 kg only—4,800 tonnes—(NU)

Metallurgical Industries (Non-Ferrous)

M/s Hindustan Zinc Ltd, (A Govt. of India Enterprise) 6 New Fatehpura, Udaipur (Rajasthan) (Udaipur-Rajasthan)—Rolled Zinc Sheets & Plates—7,000 tonnes, Calots—equivalent to 3,000 tonnes—(NA)

M/s The Indian Sugar and General Engg Corpn, Prop The Saraswati Industrial Syndicate Ltd, Yamunanagar-13500 (Distt Ambala) (Ambala-Haryana)—Recovery of Silver from waste chemicals of industrial and hospital radiography and other photography—100 kgs—(NA)

Electrical Equipment

M/s Wandleside National Conductors Ltd, Industrial Estate Lalbaug, Bombay-400012 (Poona-Maharashtra)—Insulation Tapes, such as asbestos, Terylene. teflon and impregnated Glass Tapes—4,500 kilometres, Insulated Sleevings, Terylene, Teflon etc—600 kilometres—(NA)

M/s UP Electronics Corporation, 4, Prag Narain Road Lucknow-226001 (Lucknow/Allahabad-UP)—HF Electro magnetic Heating Equipments—30 Nos, Industrial Rectifier & Battery changing equipments—590 Nos, Crane Controllers—10 Nos, Convertor Inverter No Break Power System—500 Nos—(NU)

M/s Siemens India Ltd, 134A, Dr A.B. Road, Bombay-40001 (Maharashtra)—Electrical Valves and Dampers—From 60 T 600 Nos—(SE)

M/s Tata Sons Ltd, Bombay House, Sir Homi Modi Street Bombay-400023 (Nasik-Maharashtra)—Serial printers & handler —2000 Nos, High speed printer devices—2000 Nos, Computer printer devices—20000 Nos, Mini disk drives—4000 Nos Industry compatible mini disk drives—4000 Nos, Disk cartridge drives—3000 Nos, Magnetic tape cassette drives—12000 Nos Terminal displays—75000 Nos, Intelligent terminals—300 Nos—(NU)

M/s Crompton Greaves Ltd, Kanjur, Bhandup, Bombay 400078 (Maharashtra)—HT Circuit Breakers of 66 KV/13

/220 KV—300 Nos, Load Break Switches 132 KV/220 KV— Nos, Instrument Transformers—305 Nos—(SE)

Telecommunications

M/s Indian Telephone Industries Ltd, Dooravaninagar, ngalore-560016 (Allahabad-UP)—Coaxical line equipment KM)—Nil (existing)—2000 (after expansion), Multiplexing ipment (in terms of channel ends)—8,600 (existing)—20,000 er expansion), Open wire carrier systems (in terms of nnels)—1,200 (existing)—1,200 (after expansion) VB Trans- sion system, Loading coils—10,000 (existing)—10,000 (after ansion), Matching transformers (in terms of Nos)—400 isting)—400 (after expansion), PCM systems Terminals—10 isting)—50 (after expansion), Repeaters—50 (existing)—300 er expansion)—(SE)

M/s Indian Telephone Industries Ltd, Dooravaninagar, ngalore-560016 (Bangalore-Karnataka)—Cross Bar Exchange es—60,000 lines (Addl) (P&T Pattern)—1,20,000 lines (after ansion) (P&T Pattern)—(SE)

Transportation

M/s Elecon Engg Co Ltd, Vallabh Vidyanagar-328120 Dist ira Gujarat (Kaira-Gujarat)—Inhaul and Outhaul Beatle arger, Winch type wagon Marshalling Equipment, Coupling arger, Pan Wagon Axle Mule, Pig Type Wagon Marshalling uipment, Barney Type Wagon Marshalling Equipment, ffalo Type Wagon Marshalling Equipment, Traversers rough" and 'back shunt' type—Total Capacity 300 tonnes ter expansion)—(SE)

M/s Bharat Earth Movers Ltd, Unity Buildings, J.C. Road, ngalore-560002 (Bangalore-Karnataka)—Cab and Bodies on assis—500 Nos—(NA)

M/s Jaya-Hind Industries Ltd, Akurdi, Poona-411035 laharashtra) (Poona-Maharashtra)—Electronic Magnetos— 00,000 Nos—(NA)

Industrial Machinery

M/s Stovec Screens India Ltd, 43, Dr V.B. Gandhi Marg, rt, Bombay-400023—(Ahmedabad-Gujarat)—Nickel Perforated tary Screens for Rotary Screen Printing plant—60,000 metres ddl)—1,00,000 metres (after expansion)—(SE)

M/s Braithwaite & Co (India) Ltd, 5, Hide Road, Calcutta- 0043 (West Bengal)—Coal handling plants—3 Nos—(NA)

M/s Lohia Machines Pvt Ltd, 37—A, Fazal Gani, Kanpur P) (Kanpur-UP)—Tow to top Conversion equipment consis- g of: (a) Breakers (b) Re-breakers (c) Tow transformers (d) tersecting machine—2 machines—(NA)

M/s Himson Textile Engineering Industries, Hiralal Colony, hwanikumar Road, Surat-395006 (Gujarat) (Surat-Gujarat)— ecision Cone Winders—24 Nos—(NA)

M/s Fritz and Singh Pvt Ltd, B—29/B, Kailash Colony, New lhi-110048. (Faridabad-Haryana)—Absolute Filters—2,000 its—(NA)

M/s Fritz and Singh Pvt Ltd, B—29/B, Kailash Colony, New lhi-110048. (Calcutta-West Bengal)—Absolute Filters—2,000 its—(NA)

Machine Tools

M/s Advani—Oerlikon Ltd, Ador House, 6, K. Dubash arg, Fort, Bombay-400001 BR. (Poona-Maharashtra)—Resis- ce Welders—450 Nos—(NA)

M/s J&K State Industrial Dev Corpn Ltd, Haft Chinar, nagar. (Srinagar-J&K)—Semi perishable tools like Press ols, Plastic Moulding Tools, Jigs and Fixtures etc—Rs 175 hs—(NU)

Scientific Instruments

M/s Mysore Electrical Industries Ltd, PB No 2221, Banga- e-Tumker Rd, Bangalore-560022 (Bangalore-Karnataka)— High Voltage High Energy Inpulse Generator—15 Nos, High Voltage Low Energy Inpulse Generator—100 Nos, High Voltage Repetitive Surge Generator—150 Nos, High Voltage Inter Turn Insulation Testers—150 Nos—(NA)

Fertilisers

M/s Coromandel Eertilisers Ltd, 126, Sarojini Devi Rd, Secunderabad-500003 (AP) (Visakhapatnam—AP)—Ammonia— 11,800 tonnes—1,26,300 tonnes (after expansion)—(SE)

Chemicals (Other than Fertilisers)

M/s Industrial Oxygen Co Pvt Ltd, 31 (A) Vadgaon Sheti, Off Nagar Road, Poona-15 (Ahmedabad-Gujarat)—Oxygen Gas —1.00 million cubic metres—(NU)

M/s The State Industrial & Investment Corpn of Maharashtra Ltd, 'Nirmal' 1st Floor, Nariman Point, Bombay-400021, (Backward Area-Maharashtra)—Maleic Anhydride—3,000 tonnes —(NU)

M/s Bihar State Industrial Dev Corpn Ltd, Bander Bagicha, Patna-800001, (Bihar)—Furfural—6,000 tonnes, Acetic Acid— 2,700 tonnes, Methanol—100 tonnes, Formic Acid—200 tonnes— (NU)

M/s Indian Drugs & Pharmaceuticals Ltd, (A Govt of India Undertaking), N—12, NDSE Pt I, Ring Road, New Delhi-110049. (Hyderabad-AP) Inorganic Chemicals—110 tonnes, Organic Chemicals—68 tonnes. Miscellaneous Classified Chemicals—2 tonnes—(NA)

M/s Jay Shree Chemicals & Fertilizers, Prop M/s Jay Shree Tea & Industries Ltd, 10, Camac Street, Calcutta-700017 (24-Parganas-West Bengal)—Hydrosulphite of Soda—3,000 tonnes, Sulphoxylates (Rangolite and Dekrolon)—1,000 tonnes —(NA)

M/s Hico Products Pvt Ltd, 771, Mogal Lane, Mahim, Bombay-400016 (Kolaba-Maharashtra)—Fatty Alcohols—5,000 tonnes—(NA)

Shri A. Sethu, B-10, Fairlands, Salem-4 (Tamil Nadu) (Dharampuri-Tamil Nadu)—Ossein—2,000 tonnes, Di-Calcium Phosphate (by-product)—3,500 tonnes)—(NU)

M/s Kapoor Air Products (P) Ltd, 10, DLF Indl Area, Najafgarh Road, New Delhi (Delhi)—Nitrogen Gas—0.18 MCM Nitrous Oxide—100 million litres—(NA)

M/s WEGA Pvt Ltd, 64, Shahid Bhagat Singh Rd, Bombay - 400023 (Barauni - Bihar)—Epichlorohydrine—2000 tonnes, Allyl Chloride—1000 tonnes, Allyl Alcohol—500 tonnes, Diallyl Phthalate—1000 tonnes—(NU)

M/s Indian Farmers Fertilizer Cooperative Ltd, Mansarover, 90, Nehru Place, New Delhi (Mehsana-Gujarat)—Dry Ice (Solid carbon-dioxide)—1980 tonnes—(NA)

Dyetsuffs

M/s KCA Ltd, Rang Udyan, Sitladevi Temple Road, Mahim, Bombay-400016 (Bulsar-Gujarat)—Reactive Dyes—500 tonnes —(NA)

M/s UP State Industrial Dev Corpn Ltd, 117/130, Sarvodaya Nagar, Kanpur (UP) (Unnao-Uttar Pradesh)—Bon Acid —600 tonnes—(NU)

Drugs and Pharmaceuticals

M/s Unichem Laboratories Ltd, S.V. Road, Jogeshwari (West), Bombay-400060 (Kolaba-Maharashtra)—Prenylamine Lactate—500 kgs—(NA)

M/s Chemo-Pharma Laboratories Ltd, C.S. 215, Sewri, Bombay-400015, (Bombay-Maharashtra)—(A) Diforte Liquid 100 ML—14,000 litres, (B) Difforte Liquid 500 ML—10,000 litres, (A) Decab Capsules 20's—20,00,000 capsules, (B) Decab capsules 100's—10,00,000 capsules, Ampicillin Serries: (A) Capsules-4's, 16's, 100's 300 kgs of bulk Ampicillin, (B) Dry Syrup 40 ml 300 kgs of bulk Ampicillin, (C) Injection 250 mg 300 kgs

of bulk Ampicillin, (D) Injection 500 mg 300 kgs of bulk Ampicillin—(NA)

M/s Suhrid Geigy Ltd, Post Box No 48, Wadi Wadi Baroda-390007 (Baroda-Gujarat)—Carbamezapine—From 1200 kgs to 5000 kgs—(SE)

M/s Maize Products Ltd, (Prop Sayaji Mills Ltd), PO Kathwada-Maize Products, Ahmedabad-382430 (Gujarat) Ahmedabad-Gujarat)—Ascorbic Acid (Vitamin C) Plain and Coated, Sodium Ascorbate, Calcium Ascorbate—Total capacity 250 tonnes—(NA)

M/s Searle (India) Ltd, Ralli House, 21, Raveline Street, Bombay-400001 (Thana-Maharashtra)—Dimethyl Polysilexane —3000 kgs—(NA)

M/s Fairdeal Corpn (Pvt) Ltd, Lakshmi Bldg, Sir P.M. Road, Fort, Bombay-400001 (Kolaba-Maharashtra)—Acetrizoic Acid—1 tonne, Benzocaine—10 tonnes—(NA)

M/s Fairdeal Corpn (Pvt) Ltd, Lakshmi Bldg, Sir P.M. Road, Fort, Bombay-400001 (Kolaba-Maharashtra)—Nitrazepam B.P.—1000 kgs, Amino-5-Nitrobenzophenone—1500 kgs—(NA)

M/s Mehta Pharmaceuticals Pvt Ltd, Chheharta, Amritsar (Punjab) (Amritsar-Punjab)—Diosgenin—6,600 kgs, 16-DPA—2,500 kgs, Progesterone 500 kgs—(NA)

M/s Elys Chemical Laboratories Pvt Ltd, 201-8, Poonam Chambers, Dr A.B. Road, Worli, Bombay-400018 (Thana-Maharashtra)—Sterile Disposable Polyethylene Infusion Sets—28,00,000 sets,—40,00,000 sets (after expansion)—(SE)

M/s Alembic Chemical Works Co Ltd, Alembic Road, Baroda-390003 (Baroda-Gujarat)—Altone Liquid—2 lakh litres —(NA)

M/s Hindustan Antibiotics Ltd, Pimpri PF, Poona-418018 (Poona-Maharashtra)—Ampicillin and Semisynthetic Pencillins —30 tonnes (Addition)—35 tonnes (After expn)—(SE)

M/s Fairdeal Corpn (Pvt) Ltd, Lakshmi Bldg, Sir P.M. Road, Fort, Bombay-400001 (Kolaba-Maharashtra)—Oxyphenbutazone—5 tonnes, Tetramisole Hcl—10 tonnes—(NA)

M/s The Chemical Industrial and Pharmaceutical Laboratories Ltd, 289, Bellasis Road, Bombay-Central, Bombay-400008 (Bombay-Maharashtra)—Bulk Drug Triamcinolone Acetonide —30 kgs, Formulations Nirova Tablets—21 million tablets—(NA)

M/s Hindustan Antibiotics Ltd, Pimpri-PP, Poona-411018 (Poona-Maharashtra)—Rifampicin—1,000 kgs—(NA)

M/s Themis Chemicals Ltd, Vapi Industrial Estate, Vapi, Gujarat (Vapi-Gujarat)—A. Bulk Drug Oxyphenbutazone—25 tonnes, B. Formulations Tablets of Trimethoprim and Sulphamethoxazole—2.4 million tablets, (a) Oracort Inj.—50,000 amps, (i) Each ml containing 10 mg Triameinolene Acetonide (in ml amps), (ii) Each ml containing 40 mg Triamcinolene Acetonide (in ml amps)—25,000 amps, (b) Oracort ointment (3 gm tube)—300,000 tubes, Retabolil Inj. (in 1 ml amps)—600,000 amps, Injectables of Gentamycin—600,000 amps, Capsules of Sodium Cromoglycate—2.4 mill capsules, Capsules of Nitrazepam—9.6 million capsules—(NA)

Textiles

M/s UP State Spinning Mills Co (No 1) Ltd, B-2, Sarvodayanagar, Kanpur (UP) (Unnao-Uttar Pradesh)—Processing, i.e. bleaching, mercerising, dyeing, printing and finishing—144 lakh metres—(NU)

M/s Ruby Mills Ltd, Lady Jamshedji Road, Dadar, Bombay-400028 (Maharashtra)—Cotton Rayon Textiles and Mixed Fabrics—3 Art Silk Looms (Additional)—92 Art Silk Looms (After expansion)—(SE)

M/s Reliance Textile Industries Ltd, Court House, Tilak Marg, Dhobi Talao, Bombay-2 (Gujarat)—Man made fibre yarn on worsted system—12,500 spindles—(NU)

M/s UP State Textile Corpn Ltd, 7-B, Sarvodaya Nagar, Kanpur (UP), (UP)—Cotton and Blended Fabrics—300 automatic looms in each of the five spinning mills, (total loomage capaity 1,500 automatic looms)—(NU)

Fermentation Industries

M/s Haryana State Industrial Dev Corpn Ltd, S.C.O. 4-5, Sector 17-A, Post Box No 22, Chandigarh-17 (Karnal-Haryana) —Acetone—3,000 tonnes—(NU)

M/s Hindustan Gas and Industries Ltd, Industry House, 10-Camac Street, Calcutta-700017 (Backward Area-Kerala)—Different Fatty Alcohols like Cetyl, Lauryl, Stearyl, Ceto-stearyl, Sulphated Fatty Alcohols, Ethoxylated Compounds of Fatty Alcohols etc—3,600 tonnes—(NA)

Food Processing Industries

M/s Sabarkantha District Cooperative Milk Producers' Union Ltd, Himatnagar, Gujarat (Sabarkantha-Gujarat)—Infant Milk Food—2,000 tonnes within the overall licensed capacity of 4,000 tonnes for the manufacture of Milk Powder—(NA)

M/s Paschimi Rajasthan Dugdh Utpadak Sahakari Sangh Ltd, 35, Heavy Industrial Area, Jodhpur (Rajasthan) (Jodhpur-Rajasthan)—Table Butter—1500 tonnes, Ghee—750 tonnes, Casein—75 tonnes, Skimmed Milk Powder/Whole Milk Powder——2700 tonnes, Infant Milk Food—750 tonnes—(NU)

M/s Uttari Rajasthan Sahkari Dugdha Utpadak Sangh Ltd, Opp Lalgarh Mahal, Sri Ganganagar Road, Bikaner (Rajasthan) (Bikaner-Rajasthan)—Table Butter 150 tonnes, Ghee—750 tonnes, Casein—75 tonnes, Skimmed Milk Powder/Whole Milk Powder—2700 tonnes, Infant Milk Food—750 tonnes—(NU)

Shri G.L. Sheth, C/o Shri G.D. Amin, 33, Govts. Coop. Housing Society, Navrangpur, Ahmedabad-380019 (Junagarh-Gujarat)—Processing of Sea Foods—6,000 tonnes—(NU)

M/s UP State Indl. Dev. Corpn, 117/130, Sarvodaya Ngr, Kanpur-208005 (Backward Distt-UP)—Compressed Baker's Yeast—1000 tonnes, Dry Baker's Yeast—500 tonnes, Distiller's Yeast—100 tonnes, Pharmaceutical Yeast—400 tonnes—(NU)

M/s Andhra Pradesh State Agro Corpn, Ltd, 10.2.3, Intekhab Manzil, AC Guards, Hyderabad-500004 (Nizamabad-Andhra Pradesh)—Maize Milling consisting of following products: (a) Brewer's grits, (b) Fine meal, (c) Semolina, (d) Flour, (e) Animal Meal, (f) Bran, (g) Corn oil etc—15,000 tonnes—(NU)

Leather and Leather Goods

M/s Chekind Leathers Pvt Ltd, 7, Shaffee Mohamed Road, Madras-600006 (Chingleput-Tamil Nadu)—Shoe uppers—5 lakh Nos—(NU)

M/s BASF India Ltd., Tiecicon House, Dr E. Moses Road, Bombay-400011 (Thana-Maharashtra)—Fat Liquors for Leather industry—700 tonnes (Additional)—1,000 tonnes (After expansion), Binders for leather industry—185 tonnes (Additional)—300 tonnes (After expansion)—(SE)

M/s Chemiequip Pvt Ltd, 306, Green House, Green St, Fort, Bombay-400023 (Thana-Maharashtra)—Leather Red, Leather Voilet, Leather Brown CT, Leather Brown HEDG, Leather Brown HRGT, Leather Black (Leatherfast Black VE), Leather Black (Chrome Leather 8589), Leather Brown—Total capacity 200 tonnes (NA)

Ceramics

M/s Udra Refractories Co, 11, British India Street Calcutta (Dhenkanal-Orissa)—Composite Brick of Chrome/& Magnesite—6000 tonnes, Magnesite Brick—6000 tonnes, Total capacity 16,000 tonnes—(NU)

Cement and Gypsum Products

M/s Karnataka Aluminous Cements Pvt Ltd. No. 22, Block, Thyagarajanagar, Bangalore-560028. (South Kanara, Karnataka)—High Aluminia Cement—10,000 tonnes—(NU)

M/s Jatia Industries Pvt Ltd, 18, Netaji Subhash Rd, Ca

tta-1. (Hooghly-West Bengal)—Asbestos Cement Sheets—
,000 tonnes—(NU)

M/s Southern Asbestos Cements Ltd. Chordia Mansion,
)-A, Mount Road, Madras-2 (Dharwar-Karnataka)—Asbestos
ment Pressure Pipes—30,000 tonnes—(NU)

M/s. Kedia Asbestos Private Ltd., 15-2-673, Kishan Gunj,
derabad (AP) (Cuddaph—AP)—Asbestos Corrugated, Flat,
loured Sheets—2,500 Metric Tonnes—(NU)

Timber Products

M/s J.K. Panthaki & Co, 12, Spencer Road, Bangalore-
0005 (Backward Area—Karnataka)—Wood in the form of
ms like: Decorative furniture with traditional design
odern furniture for houses, Modern furniture for offices,
cluding panels, Upsholstred furniture Doors, windows and
nels in appropriate sizes—Total capacity 10,000 Cu. Metres
(NU)

M/s Bawri Plywood Industries, Lumti Colony Dist Kohima,
mapur (Nagaland) (Kohima-Nagaland)—Various qualities of
ywood including block boards and flush doors except teachest
ywood—2.5 mill sqr metres— (NU)

Change in Names (Owners or Undertakings)

(Information pertains to particular licences only)

From M/s The Hindupur Co-operative Sugars Ltd to M/s
zam Sugar Factory Ltd (A Public Sector Undertaking)

From M/s Sanghi Motors (Pvt) Ltd to M/s Sanghi Motors
ombay) Ltd

From M/s J. Stone & Co. (India) Ltd to M/s Stone Platt
ectrical (India) Ltd.

From M/s Turner Hoare & Co Ltd, Bombay to M/s
ahindra Spicer Ltd, Bombay.

From M/s All India Wool Combers Cooperative Society Ltd
M/s Punjab Wool Combers Ltd, Chandigarh

From M/s Narain Fegetable Products, Sitapur (UP) to M/s
laji Vegetable Products (P) Ltd, Bangalore.

From M/s J. Stone & Co. (India) Pvt Ltd. to M/s Stone Platt
ectrical (India) Ltd.

From M/s Ravindra Heraeus Pvt Ltd to M/s Ravindra
ndustan Platimum Pvt Ltd

From M/s Punjab State Industrial Development Corporation
M/s Punjab Electronic Components Ltd, Chandigarh.

From Mr M. Soundara Rajan to M/s Litelon Private Ltd.

From M/s Diwakar Engineers Pvt. Ltd. M/s Diwakar Engi-
ers Ltd.

From M/s Reliance International Corp. Pvt Ltd, New Delhi
M/s Sehgal Papers Ltd., New Delhi.

From M/s Archana Investment (Pvt) Ltd to M/s Archana
etal Pvt Ltd.

Licences Revoked, Cancelled or Lapsed

(Information pertains to Particular Licences only)

M/s The Divoela Coop Sugar Ltd, Dimili, Dist Visaka (AP)
Sugar—(Lapsed)

Mr Shriram C. Chokhani, 34, Napean Sea Road, Bom-
y-400036—Tape Recorders—(Cancelled)

M/s Ganesh Ispat and Alloys Industries Ltd, Z-262, Naraina
ha Mandi, New Delhi—M.S. Ingots of various grades—
evoked)

M/s Atlas Steel Mills Ltd, 21-B, Noble Chambers, Parsee
zar Street, Fort, Bombay-400001—Cold Rolled Strips, Spring
el Strips, Mild Steel Strips & other specialized strips and box
appings—(Revoked)

Mr Mallela Padmanabha Rao, Chief Promotor, Ibrahmi-
patnam Coop Agriculture Industrial Society Ltd, Ibrahim-
patnam, Distt Krishna (Andhra Pradesh)—Sugar—(Revoked)

M/s International Electric & Lamp Caps Co, No. 13 4th Cross Magadi Rd, Bangalore-560023—Bayonet Caps and Screw type caps—(Revoked)

M/s M.G. Metallic Springs Pvt Ltd, C/o M.G. Brothers, Bellary Rd, Anantpur PO, Andhra Pradesh—Metallic Industrial Springs—(Cancelled)

M/s Oswal Steels Ltd, Oswal Road, Industrial Area-A, Ludhiana-3 (Punjab)—Steel Ingots and Steel Castings—(Revoked)

M/s Vidarbha Cements Ltd, Industrial Assurance Building, 3rd Floor, Bombay-20—Portland Cement—(Revoked)

Letters of Intent Lapsed or Cancelled

(Information pertains to particular letters of intent only)

Mr Ashok Kumar Kadd, 47, Kennedy Avenue, Amritsar (Punjab), (Punjab)—Hosiery Needles—(Lapsed)

M/s Gujarat Steel Tubes Ltd, Bank of India Bldg, PB No 114, Bhadra, Ahmedabad-380005 (Gujarat)—Gelatine—(Lapsed)

M/s Raza Buland Sugar Co Ltd, Rampur (UP), (UP)—Calcium Carbonate—(Lapsed)

Mrs S.D. Rathi, 6, Pretoria Street, Calcutta-16 (West Bengal)—Calcium Carbide—(Lapsed)

Mr Ulhas Sharma, 30, Pusa Road, New Delhi (Madhya Pradesh)—Calcium Carbide—(Lapsed)

M/s Kamani Electronics Pvt Ltd, Kamani Chambers, 32, Ramjibhai Kamani Marg, Ballard Estate, Bombay-400038 (Rajasthan)—Ferrites—(Revoked)

M/s W.S. Insulators of India Ltd, Dhun Bldg, 175/1, Mount Road, Madras-600002 (Karnataka)—Telemetry equipment etc. —(Cancelled)

M/s Elite Metaloys Pvt Ltd, Plot No 5, Gultekdi, Industrial Estate, Poona-2 (Maharashtra)—Special non-ferrous alloys—(Lapsed)

M/s Kerala State Electronics Dev Corpn Ltd, Keltron House, Vellayambalam (Trivandrum) (Kerala)—CCTV Camera etc—(Cancelled)

Mr G. Sridharan, Kanak Buldgs, 2nd Floor, 41, Chowringhee Road, Calcutta-700016 (Haryana)—Hosiery Knitting Needles—Lapsed)

M/s Paper Mill Plant & Machinery Manufacturer Ltd, Jogeshwari Estates, 181, S.V. Road, Jogeshwari, Bombay-60 NE (Maharashtra)—Paper and Board Plants upto 150 tonnes per day—(Cancelled)

Mr K.C. Venkatesh, C/o Shri C. Raghunatha Reddy, Bangalore-560052 (Karnataka)—Conveyor Belting—(Lapsed)

Gujarat Industrial Investment Corporation Ltd, 4th Floor, Mistry Chambers, Khanpur, Ahmadabad-380001 (Gujarat)—Cement—(Lapsed)

M/s Cosmos India Rubber Works (P) Ltd, PB No 107, Rahimtoola House, 1st floor, 7, Homji Street, Fort, Bombay-400001 (Maharashtra)—Conveyor Belting etc—(Lapsed)

M/s Gannon Electrolytes Ltd, Chartered Bank Bldg, Fort Bombay-1 (Maharashtra)—Etched Aluminium Foils—(Lapsed)

Mr Pawan Kumar Kanoria 9, Brabourne Road, Calcutta-1 (Bihar)—Writing & Printing Paper—(Lapsed)

M/s Dunlop India Ltd, Dunlop House, Calcutta-700016 (West Bengal)—Tennis Balls—(Lapsed)

M/s Him Papers, A/88, Defence Colony, New Delhi-110024 (Himachal Pradesh)—Pulp and Packing & Wrapping Paper—(Lapsed)

M/s Premier Rubber & Cable Industries, Jamal Bldg, 2nd Floor, 211, Nagdevi Street, Bombay-400003 (UP)—Automobile Tyres and Tubes—(Lapsed)

RBI studies on national income, overseas business, public Ltd companies

Three important studies have been conducted recently by the Reserve Bank of India, the findings of which have been reported in the March 1977 issue of the Reserve Bank of India Bulletin. The studies relate to : (i) national income, savings and capital formation in 1975-76; (ii) overseas business of Indian banks from 1969 to 1975; and (iii) finances of large public sector companies in 1975-76. The following are the highlights of these studies :

National Income, Savings and Capital Formation—1975-76.

THE STUDY on national income, savings and capital formation points out that although gross domestic capital formation (at current prices) in India registered a rise of Rs 1,943 crores to Rs. 14,993 crores during the financial year 1975-76, the rise was less marked than the increase of Rs 3,035 crores in 1974-75, with the result that the rate of capital formation in 1975-76 was lower at 14.9 per cent, against 30.5 per cent. The relatively smaller improvement was due primarily to the meagre increase of Rs 261 crores (against +Rs 2,245 crores in 1974-75) in capital formation in the private sector.

The fall in capital formation growth rate in the private sector is mainly explained by the fall in the inventory growth in the private corporate sector. The rise in capital formation in the public sector was, however, more substantial than in the previous year, being Rs 1,682 crores against Rs 790 crores.

The net domestic capital formation at current prices rose from Rs 7,156 crores in 1973-74 to Rs 9,576 crores in 1974-75 (+33.8 per cent) and further to Rs 11,058 crores (+15.5 per cent) in 1975-76. As a proportion of net domestic product, it was 16.2 per cent in 1975-76 compared to 14.7 per cent in 1974-75 and 13.0 per cent in 1973-74.

Domestic Savings

The net domestic savings at current prices are estimated at Rs. 10,013 crores for 1975-76, against Rs 8,500 crores in 1974-75. As a proportion of net domestic product at market prices, they continued to exhibit a steady upward trend from 9.3 per cent in 1960-61 to 13.1 per cent in 1974-75, and further to 14.7 per cent in 1975-76. The rise in 1975-76 was mainly the result of an impressive increase of Rs 1,651 crores in the savings of the household sector which more than offset the decline of Rs 323 crores in the savings in the private corporate sector. Household savings in the form of financial assets showed a rise of 54.2 per cent in 1975-76, in contrast to the decline of 33.9 per cent in 1974-75.

The share of public sector in the total net domestic savings, which had risen from 17.1 per cent in 1973-74 to 23.4 per cent in 1974-75, declined to 21.7 per cent during 1976-77.

The net domestic product at constant prices increased by Rs. 1,764 crores (8.7 per cent) to Rs. 22,045 crores in 1975-76, in contrast with the year 1974-75 which did not witness any rise over 1973-74. The increase was accounted for mainly by the agricultural sector which registered a rise of Rs 1,013 crores (13.2 per cent).

The net demestic product (at factor cost) at current prices increased by Rs 2,187 crores to Rs 60,672 crores in 1975-76 despite the substantial decline of Rs. 1,344 crores in the agriculture sub-sector. The increase was shared by all other sectors, the tertiary sector claiming the largest share (Rs. 1,703 crores), followed by the secondary sector (Rs 1,511 crores). The share of public sector in net domestic product, which has been increasing steadily (from 10.7 per cent) since 1960-61, went up from 15.5 per cent in 1974-75 to 17.1 per cent in 1975-76.

The total final consumption expenditure at current prices in 1975-76 stood at Rs 62,365 crores, showing an increase of only 4.4 per cent as compared with an increase of 23.1 per cent in 1974-75. Private final consumption expenditure estimated at Rs 55,538 crores at current prices, accounted for 77.5 per cent of gross national product.

National income at constant (1960-61) prices recorded an impressive rise of 8.8 per cent in 1975-76, as against an increase of only 0.2 per cent in 1974-75. The rise is attributable mainly to the large increase in foodgrains produc-

National Product, Saving and Capital Formation

	At current prices		At 1960-61 prices	
	1974-75	1975-76	1974-75	1975-76
Net national product (Rs crores)	58,137	60,293	20,183	21,952
Per capita net national product (Rs)	989	1,005	343	366
Net domestic saving (Rs crores)	8,500	10,013	—	—
Net domestic capital formation (Rs. crores)	9,576	11,058	3,398	3,618
Net domestic product at market prices (Rs crores)	65,043	68,186	22,576	24,645
Capital formation as per cent of NDP at market prices	14.7	16.2	15.1	14.7
Saving as per cent of NDP at market prices	13.1	14.7	—	—

on to 121 million tonnes rom 100 million tonnes. National income at current rices showed a lower rate of ncrease of 3.7 per cent, against 7.7 per cent in the previous ear, but this was largely the esult of movements in the evel of prices.

In per capita real terms 1960-61 prices), the income in 975-76 rose by 6.6 per cent, he previous highest rate of growth recorded being 5.9 per ent in 1967-68. At current rices, it showed a rise of 1.6 er cent.

Overseas Business of Indian Banks—1969-75

The study on the overseas usiness of Indian banks relating to the years 1969 to 1975 oints out that while the Indian anks will get more involved in uture in the financing of large-cale industrial and commercial activity abroad, a sizeable art of their business will continue to be "retail" in character, especially in countries where Indians have settled or re working in large numbers. At the same time, for progress nd growth, the "captive business" provided by expatriate ommunities would be hardly dequate and Indian banks ill have to equip themselves or some degree of competition ith internationall banks. And, nce in handling bigger business their relatively small size ould be a handicap, especially n centres where a number of hem are functioning, a consortium approach could be ttempted.

Wherever they operate, the ndian banks, according to the tudy, would have to function ithin the framework of the cal laws of the concerned ountries. Actually, it is necesary to go beyond mere legal quirements and attune operations to the aspirations of the governments concerned. This is of particular importance in the less developed countries for attaining local identity and acceptance. Irrespective of the significance of citizens of Indian origin in the social set-up of the country, it is imperative that the Indian banks should build up a significant proportion of local base business for which special efforts may be necessary. Further, conditions affecting the operations of banks in many foreign countries change rapidly in the short run, because of policy shift or international monetary, economic and political developments. Banks will have to acquire the necessary flexibility to adapt themselves to the changing situations and maximise the benefit both for themselves and for the country.

As at the close of 1976, ten Indian banks had a total of 96 foreign offices: 27 in the UK, 10 each in Hong Kong and Fiji Islands, nine in Kenya, six each in Singapore and Mauritius, five in UAE, three in Sri Lanka, two each in Guyana, Japan, the USA and West Germany and one each in

DENA BANK

(A Government of India Undertaking)
Head Office: Horniman Circle, Bombay 400023

STATEMENT OF POSITION

31st December 1975 Rs.	LIABILITIES	31st December 1976 Rs.
1,25,00,000	Capital: Paid-up	1,25,00,000
2,54,06,000	Reserve Fund	2,75,00,000
352,64,17,919	Deposit & Other Accounts	421,26,40,131
31,03,84,766	Borrowings from Banks and Correspondents	32,85,54,200
3,18,11,098	Bills Payable	4,04,56,897
22,05,62,350	Bills for Collection	23,61,34,369
5,87,15,151	Other Liabilities	7,90,85,759
16,76,70,869	Acceptances for Customers	18,26,08,434

PROFIT AND LOSS ACCOUNT

60,11,137	Profit for the year	67,60,692
15,04,000	Less: Transferred to Reserve Fund	17,00,000
40,00,000	Transferred to Contingency	45,00,000
5,07,137	Balance transferred to Central Government	5,60,692
435,39,75,290		512,00,40,482

ASSETS

29,94,29,937	Cash in hand and with Banks	22,21,11,655
10,00,000	Money at Call & Short Notice	5,00,000
107,61,61,586	Investment in Government & Other Securities	120,33,87,731
249,89,64,329	Advances	317,49,15,399
22,05,62,350	Bills for Collection	23,61,34,369
16,76,70,869	Acceptances for Customers	18,26,08,434
89,63,754	Premises	89,92,963
2,26,07,020	Furniture & Fixtures	2,26,24,504
5,86,15,445	Other Assets	6,87,65,427
NIL	Non-Banking Assets	NIL
435,39,75,290		512,00,40,482

Ratan Batra/DB/E/299

Bahamas, Bahrain, Bangladesh, Belgium, Canada, France, Indonesia, Iran, Maldive Islands, the Philippines, Oman and Thailand. Bankwise branches were: Bank of Baroda 41, Bank of India 17, State Bank of India 16, United Commercial Bank 9, Indian Overseas Bank 7, Indian Bank 2 and Central Bank of India, Bharat Overseas Bank, Syndicate Bank and and Punjab National Bank one each.

Table below shows the trend of banking business during the years 1973, 1974 and 1975, as compared with the position obtaining at the end of December 1969.

With the growth in banking business, there have been some qualitative changes in the operations of the Indian banks, although the traditional business of foreign offices, namely, activities supplemental to the country's trade and assistance to expatriate Indians (in handling remittances and providing other banking facilities and including personal business loans) predominates. The foreign offices are shifting from provision of trade services to provision of a full range of investment services, especially in countries where a number of Indian joint ventures are now coming up. Banking service is also provided for export of Indian know-how for turnkey projects, consultancy contracts and contracts for execution of civil construction, power generation, structural engineering jobs, etc. The offices are also associated in the raising of large foreign currency loans for Indian shipping and airlines.

The development in the area of service to individuals, which has had the most pronounced impact, concerns remittances from Indians settled abroad. The foreign offices have provided the necessary infrastructure for collection and transmission of remittances. Inward remittances to India through banking channels (other than export proceeds) have risen from Rs 396 crores in 1973 to Rs 1,054 crores in 1975 and Rs 1,515 crores in 1976. The total number of non-resident rupee accounts increased from 41,000 at the close of 1975 to 1,21,500 a year later, while the balance in in the accounts rose over the period from Rs 58 crores to Rs 160 crores. Between November, 1975 and December, 1976, about Rs 40 crores of foreign exchange were received under the Foreign Currencies Non-Resident (External) Account Scheme.

Trend of Bonking Business : 1969-75

(Amount in Rs. crores)

	December			
	1969	1973	1974	1975
Number of banks	7	7	8	8
Number of offices	55	55	63	78
Deposits	156.86	272.48	404.55	608.75
Credit	91.01	182.81	238.55	368.64
Credit-deposit rato (%)	58.0	67.1	59.0	60.6
Investments	31.05	37.58	37.99	53.21
Cash and balances with banks	22.86	71.00	133.12	121.32

Finances of Large Public Limited Companies—1975-76

The study in the finances of large public limited companies in 1975-76 reveals that there were declines in the profitability ratios (of 385 companies) as measured by gross profits as percentage of sales from 12.7 per cent in 1974-75 to 10.4 per cent in 1975-76, gross profits as percentage of total net assets from 13.6 per cent to 11.5 per cent, profits after tax as percentage of net worth from 14.2 per cent to 10.2 per cent and profits after tax less preference dividends as percentage of ordinary paid-up capital from 33.4 per cent to 24.0 per cent.

However, due to larger dividends declared in 1975-76, the ratios pertaining to dividends *viz*, dividends as percentage of net worth and ordinary dividends as percentage of ordinary paid-up capital stood higher at 5.1 per cent and 11.5 per cent, against 4.2 per cent and 9.5 per cent, respectively in 1974-75.

The overall equity earnings as measured by the profits after tax less preference dividends as percentage of ordinary paid-up capital declined sharply from 33.4 per cent to 24.0 per cent. These ratios showed declines in the case of profit making companies also, but the declines were less sharp.

Except aluminium, cement and electricity generation and supply, all the other industries/industry-groups recorded declines in all the profitability ratios. The declines were marked specially in the case of equity earnings ratio, in cotton textiles, silk and rayon textiles, iron and steel, paper and paper products and shipping. It may, however, be noted that, although these ratios declined compared with the previous year, they continued to rule above 10 per cent in the year under review for all companies together and also in most industries/industry-groups.

Despite the after-tax profits being lower by Rs 98 crores, the companies increased the dividends by Rs 34 crores—from Rs 125 crores in 1974-75 to Rs 159 crores in 1975-76. Seven companies had declared dividends in excess of their after-tax profits, while some of the loss-making companies had declared dividends amounting to Rs 2 crores in the aggregate.

Step Decline

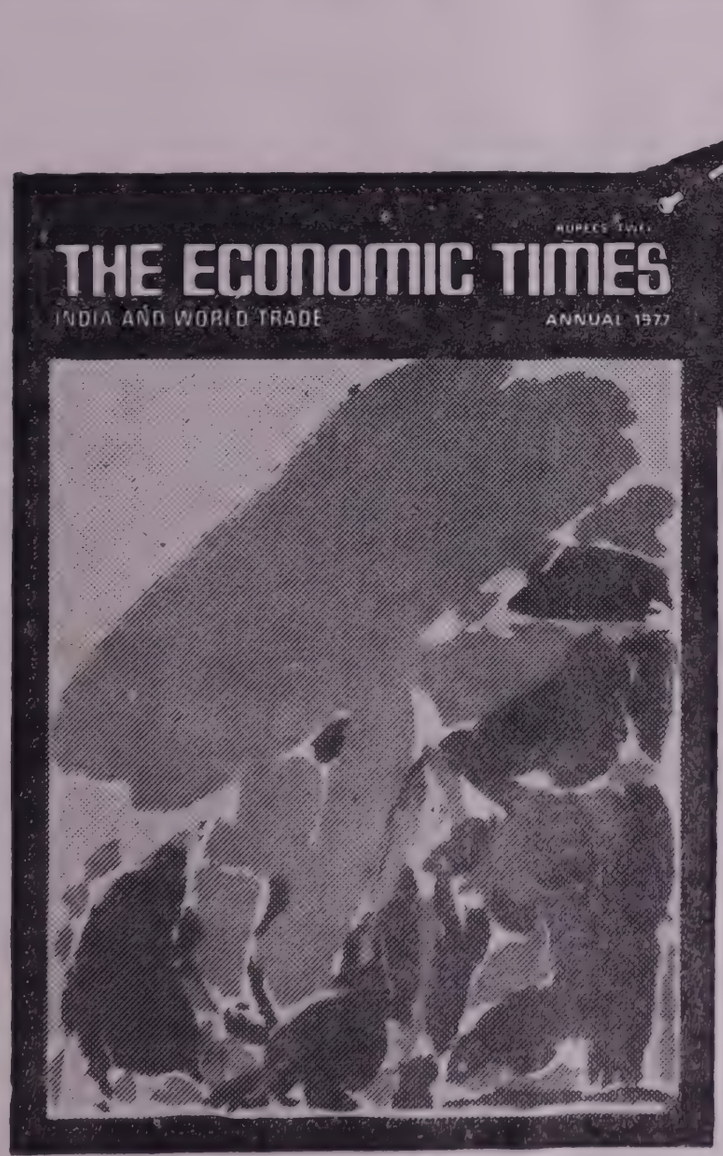
Consequent on a substantial decline in the after-tax profits and higher dividend declaration, profits ploughed back into business declined steeply from Rs 294 crores in 1974-75 to Rs 162 crores in 1975-76. The after-tax profits of profit-making companies declined to Rs 393 crores from Rs 445 crores, but the dividends declared were higher at Rs 157 crores (as against Rs 125 crores) and retained profits declined to Rs 236 crores from Rs 320 crores.

The distribution of the selected companies according to the rate of dividend declared on equity capital showed that while the number of companies skipping dividends increased from 98 to 112 in 1975-76, the number of companies declaring dividends above 12 per cent increased from 74 to 14 Correspondingly, there was a general decline in the number of companies reporting dividends in ranges up to 12 per cent. Many companies appear to have taken advantage of the relaxation in the restrictions on declaration of dividends and declared larger dividends.

THE ECONOMIC TIMES ANNUAL 1977

India and Foreign Trade

India has been seeking to establish a new international economic order through UNCTAD and other forums. With self-reliance a major objective, the country has tried to reduce dependence on foreign aid and promote import substitution and export development. But the terms of international trade are loaded in favour of the industrialised countries. Today development planning is itself at the crossroads. What are India's options? The Economic Times Annual 1977 assesses the international trade development, the strategy, correctives and the priorities. Renowned economists and specialists analyse the responsibilities of international organizations, the barriers to technology transfers and other issues involved in foreign trade and development strategy.



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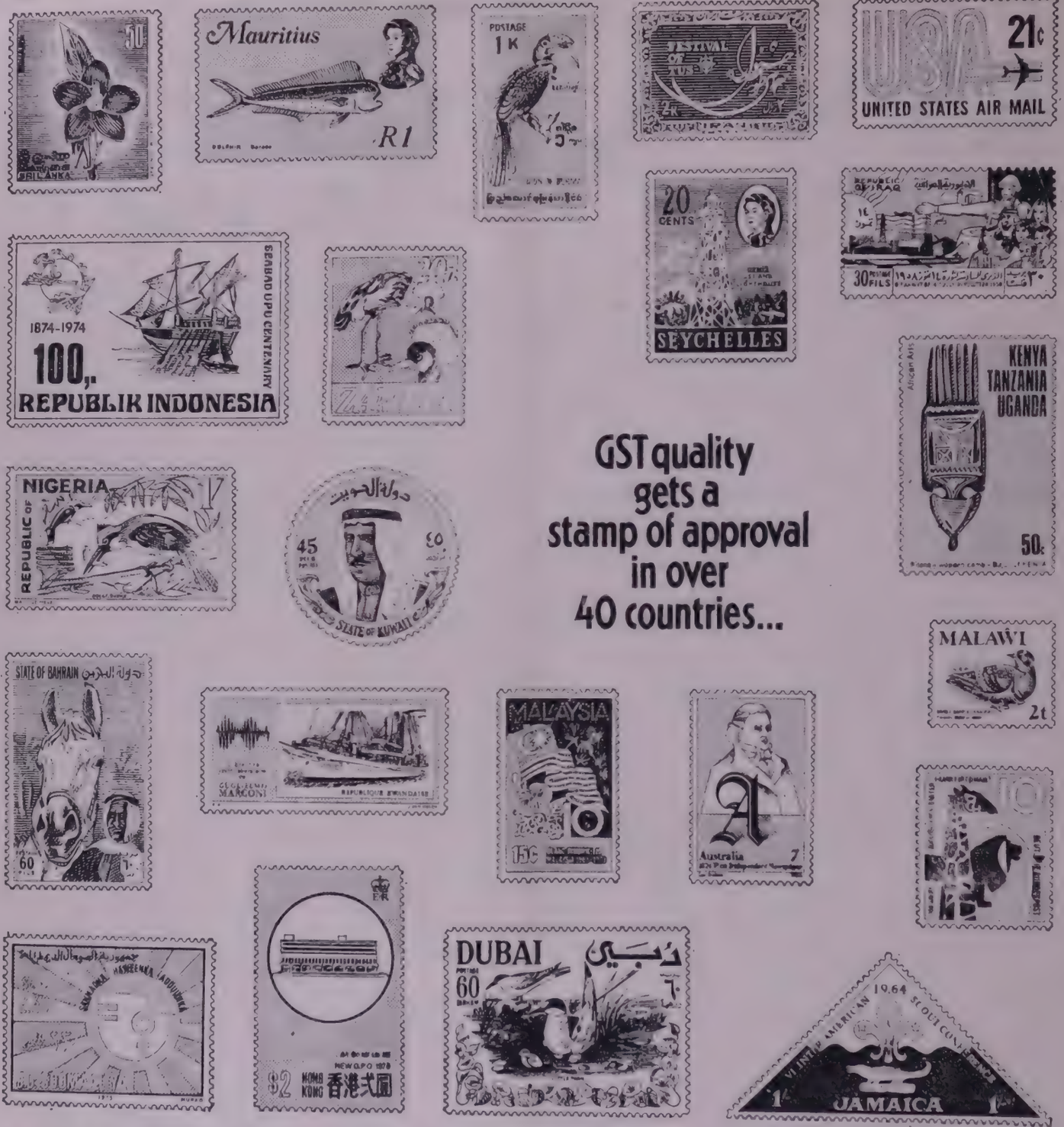
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Filling up the blanks

THE ENTRY of Mr Brijlal Verma into the Industry ministry might have come as a shock to some of us, but his exit from that ministry should not cause surprise. Hopefully what is the Industry ministry's gain need not be the Communication ministry's grief. In any case, the telephone services can hardly get worse.

The transfer of Mr George Fernandes from Communications to Industry is an act of daring on the part of the prime minister. Unfortunately the boundary line between daring and foolhardiness is extremely thin and is not always clearly seen before it is crossed. Optimists seem to believe that office has sobered Mr Fernandes. There is no doubt that he is intelligent and has drive. It is also to his credit that, in this age of cynicism, he is endearingly idealistic. The trouble, however, is that he carries a chip on his shoulders. The saving grace is that the iron has not yet entered his soul. Let us hope that it never will. Meanwhile, some of the newspapers, while reporting the reallocation of portfolios, have for reasons best known to them, laboriously recalled Mr Fernandes' vituperative harangue at the last annual session of the FICCI. They have done him no service. It is one of the regrettable facts of life that one cannot eat one's words. This is all the more the reason why well-wishers of the new minister for Industry should, if only as an act of kindness to a fellow human being, allow him to forget the purpler patches of his FICCI speech. Mr Fernandes is neither a small man nor does he have a small mind. However, even the best of us occasionally conduct ourselves in a manner which does less than justice to ourselves.

The Industry ministry is a great responsibility at all times. It is also a grave one now since the ruling party is yet to beat out a cohesive and coherent concept of industrial development as an important instrument of economic growth and social welfare. On the place of industry in the national economy the Janata party speaks with as many voices as there are leaders in it. The party president, Mr Chandrashekhar, has just demonstrated that, in the matter of industrial policy, even the central government cannot hope to be master in its own house. There may be only one vehicle on the road, but it has to cope with too many crossed traffic signals and too many contrary traffic policemen.

All this is not going to make Mr Fernandes' new assignment any easier. He could however help himself by not making it more difficult than it need be. He cannot start better than by recognising the truth that the pose or posture of the angry young man has gone out of fashion. The times demand creative people, who may have dreams certainly, but who should not suffer from nightmares; and who have vision to perceive the positive principle that it is better to build than to destroy. Paradoxically enough, although Industry is a severely practical business, it becomes truly meaningful only when it is seen also as a philosophy. It will be to the advantage of the new Industry minister as well as the industrialists who have to deal with him and with whom he must deal if both recognise and respect this reality.

The reallocation of the two portfolios of Industry and Communications has activated speculations about a major reshuffle of the council of ministers as well as about additions to or deletions from it. There are clearly places to be filled by further recruitment. Equally obviously, the prime minister must be having second thoughts on some of the appointments he has made. It cannot be doubted that he neither had the time he needed for making careful judgments nor was he, at the time the present council of ministers was sworn in, as much of a free agent as a prime minister has to be if he were to choose the best possible team the field of choice open to him would permit. The latter constraint may still operate. Nevertheless, Mr Desai owes it to the country to ease out the obvious mis-fits in his present team. There are more than a minister or two who have already proved unequal to the demands madea on them by their ministerial responsibilities. In particular, the performances in pgrliament of certain ministers, whom it is not necessery to name, have done nothin to maintain the

dignity of the government or strengthen its credibility. While at least one minister has fallen into the habit of making his presence in parliament felt excessively, there are others who have chosen to avoid making an appearance as far as possible especially during Question Hour. The prime minister, therefore, ought not to delay making a two-fold effort at giving the government and the country a council of ministers adequate in quality and quantity. He has to be ruthless in eliminating those who do not care to learn what team-spirit or team-work means, or who do not or cannot pull their weight. He has also to be imaginative and bold in drawing on potential talent in the party for restructuring or expanding the council of ministers. His one great asset is that quite a few of his present colleagues have been conspicuously successful in their respective assignments and have collectively succeeded in reassuring the public that the core of the government is wholesome and strong.

Food outlook

WITH THE foodgrains stocks with the central and the state governments currently exceeding 20 million tonnes and the monsoon in most producing areas having set in according to expectations, envisaging a normal if not above-normal kharif crop, the food situation in the country can be expected to remain easy this year. The confortable stock position has already led to the enlarging of the southern as well as the northern rice zones, removal of restrictions on the movement of wheat and coarse grains to any part of the country, the quantum of purchases allowed from fair price shops being increased and the guest control orders which had been in force in various states being relaxed a great deal. Imports of foodgrains on commercial account have been stopped since July last year. There is even a talk of exporting, besides high quality basmati rice, some wheat products.

good augury

This, indeed, is a good augury for containing the overall cost of living, especially of the vulnerable sections of society, for expenditure on food in their case amounts to as much as 60 per cent of their family budgets. No doubt, the prices of grains, including wheat, in the open market have started hardening in the recent weeks even in the surplus producing states. But that cannot be any major cause of worry for the government for the simple reason that if the consumers are preferring to pay more for their open market purchases than what they would have spent on meeting their requirements from the fair price shops, they are doing so on their own accord to satisfy their ego. The rise in the open market prices cannot be expected to be very pronounced this year, for if they go up unduly, the switch-over to purchases from the public distribution system can take place on a significant scale. The authorities are in a position to supply through this network adequate quantities from the stocks held by them.

three factors

In fact, the government is anxious to bring down significantly the stocks held at present because of three factors. First, large sums of money have been locked up in these stocks. This is one of the principal reasons for the expansion in the money supply with the public. Secondly, difficulties are being experienced on the storage front. The permanent storage facilities available in the country are estimated to be sufficient to accommodate just 12/13 million tonnes. Large quantities of foodgrains, therefore, are lying in the open in covered and plinth (CAP) storage. Thirdly, there is the danger of the last year's grains deteriorating in quality as they cannot be fully recycled in view of the off-take from the public distribution system going down to just about half a million tonnes per month from about 0.75 million tonnes last year and nearly one million tonnes in 1975. With a view to containing the impact of food stocks on the expansion in money supply, a significant step taken in the recent past has been that the refinance against credits of scheduled banks to the Food Corporation of India and other governmental agencies in the procurement line is now being provided only beyond Rs 1,500 crores overall credit as against a much lower limit applicable earlier.

understandable anxiety

The anxiety of the government to reduce the foodgrains stocks, thus, is understandable. It, however, is a moot point how far these stocks should be brought down this year. Originally, it was envisaged that a permanent buffer stock of seven million tonnes should be built up by the end of the fourth Plan period. A technical group set up about 19 months ago, which submitted its report in December last, had recommended that a buffer stock of the order of 12 million tonnes would be a judicious one and it ought to be built up by the end of the fifth Plan period. To this stock, however, should be added the expected releases through the public distribution system in a year at the rate of about a million tonnes per month. In all, therefore, the desired level of stocks in a year would be 22 million tonnes.

As the annual procurement of foodgrains has been of the order of about 10 million tonnes in the last three year in two instalments after the two major crops, the releases from the public distribution system will have to be taken into account for stock purposes on a six monthly basis. On this reckoning, the build up of the stock at the end of a major harvest, kharif or rabi, should be around 18 million tonnes. Since the next kharif crop will be available for procurement in October, the current stock of slightly over 20 million tonnes may have to be brought down by nearly four million tonnes over and above the drawals from it for sale through the public distribution channels.

Three proposals have been under the consideration of the government for quite some time now in this regard: (i) the return of the wheat loan received from the Soviet Union a couple of years ago; (ii) utilisation of part of the accumulated stocks for stimulating developmental activity in the countryside through provision of employment particularly to those who do not have two square meals

a day; and (iii) exporting of some quantities of foodgrains.

The Russian team is expected here shortly to have discussions with the government in regard to the repayment of the Soviet wheat loan in kind. Under this loan, we received two million tonnes of wheat. About 25 per cent of this loan has already been discharged through exports of other goods and services. It is now proposed that the Soviet Union should take wheat at least to the extent of one million tonnes, if not the entire remaining quantity of 1.5 million tonnes.

major hitch

The major hitch that stood in the way of the proposal being accepted by the Soviet Union when it was made a few months ago was that the wheat loaned to us was of the hard variety. The Indian wheat being of soft variety was not favoured by the Soviet Union in repayment. The government of India is understood to have been recently revised its proposal and has offered to supply the hard variety imported wheat available in our storage. The full quantity of 1.5 million tonnes remaining Soviet wheat loan can be paid back thus. Since this wheat has been laying in permanent storage, the question of its deterioration should not arise.

So far as the utilisation of the accumulated stocks for developmental activities is concerned, a small beginning is envisaged to be made this year. If the problems involved are expeditiously sorted out, there can be no denying the fact that much larger quantities out of the accumulated stocks can be used for this purpose than envisaged at present. What is proposed under the scheme is the creation of new jobs in the countryside for the people below the poverty line, the payment for their services being made partly in kind and partly in cash. To induce them to accept this mode of payment, the issue price of the stocks made available to them can be reduced. A general reduction in the issue price, which also has been under the consideration of the government, does not appear to be a feasible proposition, as that will increase the burden of the food subsidy on the government, which has already gone up due to the stepping up of the procurement price of wheat. A concessional issue price for those employed on developmental works in backward areas ostensibly should have the same effect. But this can be taken care of while fixing the wages of these workers.

As regards exports, two proposals are said to be under consideration in governmental quarters. The first is prevailing upon the Food and Agricultural Organisation (FAO) to utilise part of our accumulated stocks for its food aid programmes to the neighbouring countries, the stocks thus utilised being returned to us at a later date when we need them. Apart from lightening the burden of stocks on us, this will help in reducing the transportation cost of the FAO food aid programme. The second proposal is to undertake some exports of grains, particularly to west Asia and the African countries which have large populations of Indian origin.

Commercial export of wheat may not be feasible on a large scale because of its implications on food aid which we might need in the future years. But surely increased quantities of high quality basmati rice and significant quantities of wheat products can be earmarkep for exports. The latter will, incidentally, help in better utilisation of our flour milling capacity. We have already been exporting in the recent years superior quality rice, but the level of these exports has been varying from year to year. It should be now possible to draw up a longer term export programme in respect of high quality rice as the current stocks should enable the government to have the food situation in the country under control for some years, especially when agricultural development and irrigation are to be accorded primacy.

The proceeds from exports of high quality rice should help in maintaining commercial imports of coarser varieties. These imports cannot be done away with in the interest of containing rice prices until and unless rice cultivation is revolutionised in the same manner as wheat cultivation has been. The emphasis being placed in future agricultural development on augmenting the production of pulses, edible oil and raw cotton particularly and of other cash crops in general is quite judicious as the developmental effort in some of these fields has left much to be desired.

EASTERN ECONOMIST BUDGET NUMBER 1977

This special issue, dated June 24, 1977 is wholly devoted to an objective, in-depth analysis of the first central budget of the Janata government. It gives credit where credit is due, but pulls no punches in its critical treatment of the policies and decisions of the budget in their relation to the pledges and programmes of the Janata party, the demands of the economy and the aspirations of the people. Carrying the relevant budget documents and illustrated with charts and graphs, the Budget Number which is priced at Rs. 10 per copy, will be available to our regular subscribers without extra charge. New subscribers, who enrol themselves retrospectively from the issue dated June 3, 1977, will also receive their copy of the Budget Number.

The Manager, Eastern Economist Ltd.,
UCO Bank Building, Parliament Street, New Delhi-110 001.

Jute in crisis

MR MOHAN Dharia's discussions in Calcutta early this month with the representatives of the state government, trade unions and the Indian Jute Mills Association served a useful purpose in enabling the union Commerce minister to have a better idea of the problems facing the jute industry. At the tripartite meeting, it was resolved to set up a committee under the chairmanship of the Jute Commissioner to examine the actual situation in regard to the availability of raw jute. The committee includes the representatives of the industry, trade unions, the state government and the Jute Corporation. But could not the Jute Commissioner's office itself have undertaken the necessary studies or surveys to ascertain the facts regarding raw jute? Is it not the responsibility of the Jute Commissioner's office to keep a close and continuous watch on the demand and supply situation of raw jute?

IJMA warning

At the annual meeting of the IJMA, held on May 23, the then chairman, Mr Gourilal Mehta, had warned about the impending jute shortage. He had said that against the industry's expectation of a raw jute crop of more than 75 lakh bales during the 1976-77 season, the actual crop was only 67 lakh bales. This had created a serious problem for the mills since the carry-over stock at the end of the current season would be only two lakh bales, against the normal level of 12 to 15 lakh bales. He had observed that the rainfall in the jute-growing areas had improved the prospects of the next crop, but since the new crop would arrive in volume in the market only from September, the industry would have to face a squeeze in fibre supply during the next four months. The Jute Commissioner's office and the Jute Corporation, therefore, should have taken timely and appropriate action so that the industry would not have to think in terms of resorting to block closure.

The Commerce minister has rejected the proposal for block closure, but he should see to it that the mills are assured of regular and adequate supplies of fibre. The Jute Commissioner has been asked to enforce strictly the provisions of the Essential Commodities Act in order to unearth the excess quantity of raw jute that might be lying with the mills or the traders and the IJMA has been advised to evolve a scheme for a rational sharing of the available raw jute among the mills. Meanwhile, the government should examine the necessity and possibility of arranging imports of raw jute. As the foreign exchange reserves at present are quite comfortable, there should be no difficulty in importing some quantities of the fibre.

ill-equipped office

Mr Dharia is reported to have expressed unhappiness at the fact that the Jute Commissioner's office was not equipped to make an independent assessment of the raw jute stocks and arrivals into the markets from time to time and that it had to depend on the IJMA. The Commerce minister would do well to order an enquiry into the working of the Jute Commissioner's office and find out in what other respects it is not properly organised and how its usefulness can be increased. It is also necessary to define clearly the role of this office as well as of the Jute Corporation and the Jute Manufactures' Development Council. One wonders why the jute industry should be confronted with a critical situation every now and then when there are so many organisations in Calcutta to look after its problems.

Mr Dharia disapproved the practice of the IJMA taking up various issues directly with the centre, bypassing the state government. But is it fair to blame the IJMA in this matter? What is it to do if the state government does not deal with the industry's problems promptly and sympathetically? Mr S. S. Ray's ministry seldom took a keen interest in the development of the jute industry despite its crucial importance to West Bengal's economy. It was only when the workers' interests were about to suffer that the Ray ministry turned its attention to the industry's affairs. Mr Dharia has assured Mr Jyoti Basu, the new chief minister of West Bengal, that the centre would take the state government into confidence while dealing with the affairs of the jute industry. This assurance is welcome. But does it mean that the IJMA should approach the centre only through the state government? There are many issues on which a decision could be taken only by the union ministry of Finance or Commerce or both and, surely, it will be an advantage for these ministries to deal direct with the industry to know its point of view. However, it is hoped that the IJMA, the state government and the government of India will closely and effectively cooperate with one another in improving the viability of this major industry.

Mr Dharia was told that about 80,000 workers of the jute industry had lost their jobs during the emergency. West Bengal's Labour minister, Mr Krishnapada Ghose suggested a few days ago that the jute mills should take back all these retrenched workers. Does this represent the view of the West Bengal ministry? What is the union Commerce ministry's reaction to this proposal? The jute industry's financial position has become weak, almost critical, and it has been unable to take prompt advantage of the soft loan offered by the government for modernisation. The industry's labour cost is estimated at 28 per cent of the manufacturing cost and 58 per cent of the conversion cost. Therefore New Delhi will have to consider carefully the impact on the industry's viability if it is compelled to take back all workers who had left the mills during the period of the emergency.

power shortage

Meanwhile, the severe shortage of power continues to affect production and escalate costs of the jute industry. The fact that Mr Jyoti Basu himself has taken over the Power portfolio has induced the hope that the government will be able to provide at least some temporary relief in this sphere. It may be unrealistic to expect Mr Basu to solve the problem fully in the near future. But he should at least see to it that the power stations generate the maximum quantity and that it is distributed among consumers equitably. The power requirements of the jute industry need special attention in view of its vital importance to the country's economy from the point of view of exports and employment

Indira Gandhi and Eastern Economist

NOW THAT the prime minister has made t clear that she does not object to the government being criticized even by Congressmen so long as its achievements are mentioned along with its failures, I suggest that discussions of government policies or programmes should be presented in the form of company balance-sheets. Thus, if it is the critic's intention to point out that a public sector project is

May 27, 1966

not paying its way either because there has been waste, graft or extravagance in its construction or because there has been no proper planning of schemes for utilising its potential benefits, or for any other reason, he should not, in fairness to the government fail to mention at the same time that, say, the reservoir in question is one of the largest in the world, the dam one of the highest and the number of foreign dignitaries who have witnessed the project and expressed their admiration the most numerous; or that the plant in question has the best-kept rose gardens in the country and also the most generous housing scheme for its employees. Above all, he should take care to acknowledge that some great national leader or the other has hailed the project as a temple of modern India and a place of proud pilgrimage for our people. I concede that all this would make it possible for us to debate our public affairs in a much more polite and pleasant manner than is the case at present. But I doubt that the discussion will serve the only true purpose of all worthwhile controversy which is to call a spade a bloody shovel.

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THE MOST exciting account of the power struggle staged at the "air-

June 3, 1966

conditioned and perfumed" session of the AICC in Bombay was, of course, the one which the 'Patriot' published on its leader page on May 25 (New Delhi, morning edition). It is just possible, however, that Mr Inder Malhotra in "The Statesman" of May 27 (Delhi town edition) had the more perceptive version. I think he is right when he suggests that interesting new permutations and combinations of bossism are possible, based not so much on the functioning of various groups built around different personalities as on purely personal quests for power, position or prestige. In the present political and economic circumstances of our country, with a general election round the corner, this cannot, by any means, be regarded as a strange situation; nor is it necessary to jump to the conclusion that it is a wholly undesirable one. There is an undeniable power vacuum in the Congress today. The efforts of Mrs Indira Gandhi and Mr Kamaraj to step in, either independently of each other or through mutual understanding and co-operation, have obviously not been completely successful so far—a part of the reason being that neither has made honest attempt to exorcise the evil spirit of frustration and bitterness let loose by certain developments relating to the contest for prime ministership. Politics has always been a rat race and it is not at all obvious that Mrs. Gandhi's colleagues in the government or the party owe it to her to encourage her to settle down too complacently, too soon.

•

MR S. K. PATIL'S melodramatic declaration that he would shed his last

June 10, 1966

drop of blood in the cause of strengthening Mrs. Indira Gandhi in her prime ministership sounds remarkably like an equivocation of the kind for which a certain British statesman is justly famous. It is possible that Mr Patil was not implying that Mrs Gandhi's prime ministership was so anaemic that it needed a blood transfusion, but it is nevertheless likely that many people would believe that he was. In any case, there is not much use in Mr Patil or any other Congress stalwart, on or around the High Command, attempting to make it appear that the leadership is a happy and harmonious matriarchal family untainted by thoughts of dissent or disloyalty. In fairness to Mr Patil however, it must be said that he is not the only person who wants to create the impression of wearing one's heart on one's sleeve. The Congress president, I understand, protests—and, perhaps, protests too much—whenever it is suggested that he was not completely disinterested in Mr K.D. Malaviya's bid at the recent A-ICC session for a seat on the party's central election committee. . . .

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THE POLITICAL honeymoon between the prime minister and the Congress

June 24, 1966

president looks as if it has entered its waning phase. Mr Kamaraj, clearly, is distressed that Mrs Indira Gandhi had not accepted his advice that, even if devaluation was unavoidable, it could at least have been postponed to a date after the elections. She, on her part, seems to be more than slightly annoyed by the Congress president's frank expression of a lack of faith in the competence of those who may be presumed to have advised her on the issue of devaluation. . . .

In the coming months, the public is likely to hear more and more of differences, actual or alleged, between the prime minister and the Congress president. It would, however, be rash to conclude that Mrs Gandhi and Mr. Kamaraj do not want to or cannot pull on with each other. If only because both are fully aware of the importance of not weakening the Congress organisationally, they are bound to offer at least minimum co-operation to each other in maintaining a working relationship between the parliamentary wing and the organisational wing. At the same time, Mrs Gandhi is bound to cast about more purposefully for a personal following. Already some kind of a grouping is beginning to take shape. Apart from the unavoidable Mr. Asoka Mehta and the inevitable Mr C. Subramaniam, the enigmatic Mr Chavan and the ebullient Mr S. K. Patil are now being counted among the Lions under the Throne.

(Extracts from VB's column "The Moving Finger Writes".)

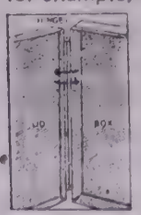
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CAPITAL'S CORRIDORS

R.C. Ummat

New industrial policy • Atomic energy programme

FIVE BASIC tenets will be governing the industrial policy of the Janata government in the immediate future. These are: (i) maximising of the production of consumer goods; (ii) optimum utilisation of human and material resources; (iii) restricting of monopolies and concentration of economic power; (iv) speedy development of employment-oriented industries; and (v) making industry responsive to social needs.

Indicating this in the Lok Sabha last week while initiating the discussion on his ministry's budgetary demand for the current financial year, the new minister for Industries, Mr George Fernandes (who had swapped his earlier protfolio of Communications with Mr Brijlal Varma in a minor reshuffle of the union cabinet on July 6) declared that the government would not dilute the definition of large industrial houses. He observed that a proposal to revise this definition with a view to exempting from it industrial houses having capital assets less than Rs 75 crores (against the present limit of Rs 20 crores) had been received from certain quarters, but it had not been favoured by the government.

differing opinions

Opinions, of course, will differ whether the present definition of large industrial houses remains appropriate. It was fixed several years ago and since then, because of inflation, the cost of setting up new plants has gone up appreciably. The proposal to revise the definition had been made by the interests concerned with a view to enabling the large undertakings to participate in a more effective manner in the industrialisation of the country. They have some resources which can be profitably deployed in new units in the extended priority areas of investments, some of which have been barred to them.

The categorical statement by the new minister for Industries, however, should set at rest all speculation that the Janata government is going to be soft towards big business. The other tenets of the industrial policy outlined by Mr Fernandes are in line with the election manifesto of the Janata party.

efficient functioning

Mr Fernandes also clarified that the Janata government was not going to reverse the growth process of public sector in industry. What it wanted to do was to make it more efficient. It would remove all impediments in the way of proper functioning of the public sector units. Workers' participation in industry, he added, was proposed to be fostered, particularly in the public sector.

The minister stressed that there was no clash of interest among the rural and village industries, the small-scale sector and the large industrial sector. All the three had specific roles to play. Their roles were proposed to be properly defined. As priority had to be accorded to reducing unemployment, the development of the rural and village industries as well as the small-scale sector had to be accorded a high priority; they were labour-intensive. This, however, did not mean that large-scale industry was going to be neglected.

A good deal of attention, Mr Fernandes added, was envisaged to be bestowed on organisation and marketing of khadi and village industries. So far as small-scale sector was concerned, its problem of competition from the large-scale industry and also availability of funds had to be attended to.

The minister wanted that the big industrial houses should devote more attention to research and development. He pointed out that they had done little in this vital field and tended to run for foreign collaborations for every type of manufacture.

As regards the sick units, he observed that the government would ensure effective monitoring and corrective actions to prevent industrial sickness in future. A special cell would keep a watch on this.

Foreign collaborations and investments, Mr Fernandes declared, would be acceptable on a selected basis in areas of high sophistication and modern technology.

His ministry, he further stated, would have to tackle the constraints and bottlenecks it had inherited. These included the constraints of financial resources, haphazard planning and power supply.

* *

The second unit of the Rajasthan atomic power project at Rana Pratap Sagar is expected to achieve criticality by the end of the current calendar year. This will raise the nuclear power generation capacity in the country to 800 MWs. Capacity to the extent of 600 MWs is already available at Tarapore in Maharashtra (2 x 200 MWs) and Rana Pratap Sagar (first unit 200 MWs). The Tarapore project was commissioned in October, 1969, and the first unit of the Rajasthan project in December, 1973.

No further addition to this capacity is expected during the current Plan period, although two units of 235 MWs capacity each are under erection at Kalpakkam in Tamil Nadu. The first unit of this project is now envisaged to achieve criticality towards the end of 1979 and the second unit by the mid-1980.

The construction work in regard to the fourth nuclear power project at Narora in Uttar Pradesh, which, like the Kalpakkam station, will be having two units of 235 MWs each, has also been started. The first unit of this scheme is likely to attain criticality in 1982 and the second unit in 1983.

The nuclear power generation capacity in the country, thus, is expected to go upto 1,740 MWs by the end of the sixth Plan period. Part of this capacity, however, may not be in commercial operation

by then as it usually takes full one year for the commencement of commercial generation after a nuclear station attains criticality.

The above projects will raise the contribution of nuclear power to the total power generation capacity in the country to about 2.5 per cent by the end of the current Plan period and nearly six per cent by the end of the sixth Plan.

latest thinking

The latest thinking in the department of Atomic Energy indicates that the nuclear power generation capacity may be raised to 6,000 MWs by the end of 1990-91. The contribution of nuclear power to the total generation capacity in the country then may be about seven per cent.

Considerable stress is currently being laid on attaining self-reliance in nuclear power generation so that the country can prepare itself for augmenting this generation capacity at an accelerated pace after the seventh Plan period. It is felt that in case this is not done, it will impose a vast burden on coal resources in terms of its production and a sizeable expansion of the existing transportation network for its distribution. It is estimated that the demand of coal for all types of uses would increase to 339/365 million tonnes by the end of 1990-91 from the production level of 103 million tonnes in 1975-76—a 3.3/3.6 fold increase. The hydel power potential of the country is considered to be limited to about 41,000 MWs. Although a good deal of work has been undertaken to harness solar energy for productive purposes, the scope for this energy as well as for the development of the other sources of energy such as geothermal, wind and tidal, it is felt, will be limited or localised or seasonal or may involve considerable amount of R & D.

On current reckoning, a nuclear power station of two units of 200 MWs each located at a distance of more than 600 kms from coal mines is thought to be economically competitive with a thermal power station of comparable capacity if located at the same site. In the long run, it is felt, nuclear power will be more economical if (i) the investment in the transportation network which will be required for the movement of coal particularly to distant thermal power stations is taken into account; (ii) the true economic value of coal is taken into account, keeping in mind its long-term cost of mining and its relative scarcity; and (iii) the benefits of plutonium produced as a joint product with electric power in the first generation nuclear reactors (pressurised heavy water reactors —PHWR) are properly evaluated and credited to the nuclear power account. The intrinsic compactness of nuclear fuel, it is stressed, makes it eminently portable. This not only reduces transportation costs and hence the price of electrical energy but also the strain on the transportation network. It is further suggested that the cost of nuclear power will go down significantly from the current levels if the capacity of the nuclear power projects is increased from 200 MWs to 500 MWs. Technical improvements and experience gained in the units currently being set up are expected to bring about sizeable economies in the cost of producing nuclear power.

fast breeder technology

The nuclear power expansion programme beyond the sixth Plan period, however, takes into consideration that the fast breeder technology would become available for commercial exploitation by then. It is expected to play a very important role after 1990 and a dominant role after the year 2000 if, of course, in the meantime a new technological breakthrough does not take place.

Work on fast breeder reactors has already been undertaken at the reactor research centre at Kalpakkam. A fast breeder test reactor is being set up to provide experience in the design, construction and operation of a plutonium fuelled, sodium cooled, fast reactor. This reactor is also expected to serve as an irradiation facility which is essential for developing fuel for the fast breeder reactors of the future. Besides plutonium produced by the first generation reactors, fast breeder reactors will be able to use thorium of which large reserves exist in the country. The fast breeder reactors utilising plutonium are expected to enhance the nuclear power generation potential of the country's known uranium reserves to 0.6—1.0 million MWs from about 8,000MWs capacity on the first generation use for a period of 30 years. The use of thorium resources by fast breeder reactors can push up the potential for nuclear power generation to 12 million MWs capacity.

use of plutonium

Reports from the United States suggest that the work on obviating the use of plutonium in fast breeder reactors is expected to start soon. A proposal has already been made according to which protons accelerated to high energy would bombard a reactor and burst open heavy elements like uranium and thorium. In such a reactor, there would be too little uranium 235 to sustain a chain reaction within the reactor's dimensions except protone bombardment. Such a reactor, therefore, will never get out of control. It could be fuelled with raw uranium or thorium which, while largely inert to begin with, would be transformed by nutrons released by the protone collisions into burnable fuel. Taking about a year to heat up sufficiently to run a power plant, such a reactor, it is claimed, would be able to run thereafter for a decade without refuelling.

With a view to sustaining the first generation reactors, the department of atomic energy is currently building four heavy water plants at Kota, Baroda, Tuticorin and Talcher. Heavy water is being produced at present at Nangal to the extent of about 120 tonnes per annum. The Baroda project, which will have a capacity to produce 67.2 tonnes of heavy water per annum, is expected to go into commercial production in a few weeks. It has been completed and is undergoing trial runs. The Tuticorin and Talcher plants, which will have capacity to yield 71.3 tonnes and 62.7 tonnes heavy water annually, are expected to be commissioned by December this year and the middle of next year, respectively. The Kota plant is scheduled to be commissioned towards the end of 1978. Its capacity will be 100 tonnes. While the Baroda, Tuticorin and Talcher plants are being built with equipment and know-how obtained from France and West Germany, the Kota unit is being constructed on the basis of the know-how developed at the Bhabha Atomic Research Centre.

Disclosures in financial statements

Dr R. M. Lall

A chartered accountant by profession, Dr R.M. Lall stresses in this piece that the fundamental objective of financial statements of industrial entities is to communicate information on discharge of accountability of an entity to the various concerned parties and refers to some aspects of these statements in which improvements are needed. He points out that the accounting literature in the country so far developed primarily serves the ends of investors and not much effort has been put in to evolve financial statements for such other concerned interests as creditors, workers and government. He suggests various ways of effecting improvements in the financial statements of the corporate sector.

COUNTING, as it has developed in its sent form, is essentially a means of nmunication, occupying as it does, an portant place in the field of information nagement. Inasmuch as it accounts an entity, its approach is micro-econo-c. Speaking in broad terms, it is mainly means of financial statements that the countant attempts at discharging the sic duty of accounting, namely, account-ility.

In my view the fundamental objective financial statements is to communicate formation on the discharge of account-ility of an entity to various parties to om the entity is accountable. It is rth noting that accountability is not nfined merely to relationship between nagement and proprietorship. Within management itself, a subordinate is countable to his superior for the manage-nt of resources entrusted to him. Fur-r, the entity is accountable not only its proprietors but also to other interests luding creditors, debenture holders, our and workers and government, and re too at all levels. It may also be ted that accountability refers both to past activities and also to the plans future activities, and this calls for the ording and reporting of the activities gether with their consequences. From s resume, it would be clear that financial tements embrace the whole system of porting relating to financial aspects as ll as costing aspects.

Accounting treatises do not seem to ve attempted any definitions of financial tements. These statements have been erred to as comprising the balance et, profit and loss account supplemented by directors' report, auditors' report and chairman's speech, which cumulatively in India we call by such names as "Final Accounts", "Annual Accounts" or "Published Accounts".

When we think of financial statements we have to address ourselves to two basic questions: First, financial statements for whom? and, incidentally, for what purposes? Second, what these statement should contain and incidentally, in what form? So far as the first question

POINT OF VIEW

is concerned, there is little doubt that most part of the accounting literature has been developed to serve the ends of proprietors or shareholders and not much efforts have been put in to evolve financial statements for creditors, workers or government. The only excuse that can be advanced by the profession for this failing is that creditors and government are always in a dominating position with reference to the entity and, consequently, they secure all the information they need, and, therefore, not much demand was made on the profession to contribute in this direction. So far as the labour is concerned, it has traditionally been considered not of much significance and, consequently, little efforts have been made to subserve its interests. The excuse apparently is a lame one, particularly in the context of the present-day situation. It is my earnest wish that the profession would wake up to its responsibility in this behalf. My wish gets strengthened when we consider the fact that today an entity is considered a very powerful instrument for national development and not merely as an instrument for yielding profits to the proprietors, and at the same time labour has come to be reckoned as a formidable force.

nature of disclosure

As to the second question, we have to determine the nature of disclosure which is to be made in financial statements. I need hardly mention that practically all the professional bodies in the world have laid down certain criteria which have to be followed by their members on pain of disciplinary action. Briefly stated, these criteria are: (1) accounting reports must disclose what is necessary to make them not misleading; (2) the accountant must disclose a material fact known to him which is not disclosed in the financial statements, but the disclosure of which is necessary to make the financial statements not misleading; (3) the accountant should report any material mis-statement known to him which appears in the financial statements; (4) the accountant should not be grossly negligent in making the report; (5) the accountant must acquire sufficient information before he makes a report; (6) the accountant should direct attention to any material departure from the generally accepted accounting principles and disclose any material omission of generally accepted auditing procedure applicable to the circumstances of the case. In sum and substance, the accounting bodies stress that financial statements should not be misleading. I think the situation is far from satisfactory inasmuch as they do not state the objective of disclosure in positive terms, nor do they define the meaning of disclosure itself. The implication of the present situation is that the financial statements are merely

meant for investors as a means of assistance in investment decisions. As at present the financial statements prepared on the basis of the generally accepted accounting principles could be considered to be not misleading unless the usual interpretation is incorrect. There are certain situations which could lead to a misinterpretation of data if the same are not disclosed. Such situation would arise, for example, when the following events take place: (1) when without giving any indication, the use is made of procedures that materially affect the profit and loss account or the balance sheet as compared with alternative methods that are normally assumed by the consumers of financial data; (2) when a material change in procedures is made from one period to another (3) when there are special contracts or arrangements which affect the relationships of interested parties; (4) when material changes or events take place which affect expectations; (5) when there are significant events or relationships which have not arisen from normal activities; or (6) when material changes in activities or operations have taken place which affect decisions, and so on.

commendable work

I may refer to the commendable work which has been done by the Committee on Accounting Concepts and Standard of the American Accounting Association in their supplementary statement No 8 published in 1954 and the 1957 revision. In this work, the committee took a more positive position on financial reporting and recommended that the information relating to transactions should be disclosed if the knowledge of such information would be significant to the investor. But the committee, like other professional bodies, just focussed its attention to reporting to the investor to the exclusion of other interests like creditors and governmental agencies, because in its view the primary objective of disclosure was to provide information for making investment decisions and for exercising control over management.

What type and what amount of disclosure should be made depends on how expert the reader is in the interpretation of accounting data. The reader is generally not an expert accountant, but is one who has some knowledge of accounting and business practices. In my view, in financial reporting, sufficient information should be given by which even a non-professional investor may apprise himself adequately with financial matters and at the same time the need of the professional analyst is also borne in mind. So far as possible the disclosure of information should be adequate, fair and full.

negative objective

Adequate disclosure normally implies the minimum amount of information commensurate with the negative objective of making the statements not misleading. Fair disclosure implies an ethical objective of providing almost equal treatment for all prospective readers and interests. Full disclosure implies the presentation of all relevant information. Full discosure does not, however, include the presentation of superfluous or inappropriate information. Too much information may sometimes be harmful inasmuch as comparatively unimportant details may conceal more significant information and thereby tend to make financial reports difficult to analyse and interpret. In my view, there is no difference between adequate, fair or full disclosure, if they are used in the proper context, because the main objective is to provide the readers with significant and necessary information, which may help them in making decisions in the best possible manner.

Disclosure embraces almost the whole process of reporting. Different methods of making disclosure are available. The selection of the method which should be adopted in a set of circumstances depends on the nature of information and its relative importance. The most common methods are: (a) form and arrangement of statements; (b) terminology used; (c) parenthetical information; (d) footnotes; (e) supplementary statements and schedules; (f) chairman's speech and the report of the directors; and (g) the report of the auditor. I shall now touch on a few salient features of these methods.

So far as possible the most significant information must appear in the main body of financial statements. Assets and liabilites and the resultant effect on profit an equity must be exhibited in the statemen soon after the transactions have take place. For this purpose (a) balance sheet (b) profit and loss accounts and (c) fun flow statements are normally presented.

Balance sheet normally brings out th relationship between assets and liabiliti by means of proper classifications. Fo example, current liabilities may be dedu ted from current assets to depict workin capital. After that the non-current asse may be added and the non-current liabil ties may be deducted in order to show th equity. The equity may then be classifie by sources.

In the preparation of profit and lo accounts, by means of different forms presentation, emphasis can be laid o different concepts of income. In the pr paration of single-step profit and lo account, expenses are charged in th aggregate against all revenues and th gross profit and other preliminary n figures are not given due importanc Recently a change has taken place ina much as expenses are classified as fixe or variable or semi-variable in order t help the reader in making prediction about the future outcomes that may resu due to changes in sales volume.

common concept

Several types of disclosures can be mad by different forms of funds statements. common concept of funds is that of work ing capital. So normally a fund statemen is prepared to disclose the transaction concerning current assets and curren liabilities. In my view, funds statemen should be made more comprehensive as t include the use of "all financial resources concept of funds, so that all significan financial transactions can be disclosed. I this manner the acquisition of non-curren assets by means of long-term debt or issu of capital would also be disclosed. Th objective of funds statements should b taken as the disclosure of structura changes in the financial relationship in th entity. The reasons for major changes i assets or liabilities should be indicate and at the same time the important shift in long-term financing should be high lighted. Unfortunately, in India the fund flow statements are not generally furnishe

l wherever they are furnished they are rmally based on the net working capital cept. It is time that a departure is made.

Appropriate sub-headings should always used to describe the items in the state- nts. Apparently, obscure terms can misleading and as such their use should avoided. Technical terms with precise aning should be used. It is unfortunate t in accounting literature many techni- terms lack preciseness. In such cases accountant should apply descriptive ns to denote the specific sense in which se terms have been used. Unformity erms in all accounting reports is help- to the reader, but unfortunately ounting terminology as it is at present not uniform. What information to ent and how to present it largely ends on the objectives of the report the materiality of the items. So far as sible, brevity should be taken as a ding principle.

important information

s a rule, all important information uld be contained in the financial state- ts rather than in footnotes or supple- tary schedules. Parenthetical informa- is normally given to explain titles of s which cannot be made fully descrip- in the financial statements without g unduly lengthy. It should be appre- d that such information should not oo long, otherwise it might detract the main data. Certain non-quanti- e data can be usefully specified by of parenthetical information such as, n indication of any particular proce- or mode of valuation which may give tter and precise understanding of such edure; (ii) certain special characteris- which may indicate the relative im- ance of an item such as the fact certain assets are subject to a certain ge or that certain liabilities have rity claim; (iii) details of items which t have been clubbed together under der classification in the financial ments; (iv) alternatives valuations as the current price and the current cement costs along with their costs; eference of certain information aring in other statements or elsewhere e report, and so on.

otnotes are intended to give a fuller disclosure of financial events and financial data. Too much use of footnotes should always be avoided for it may tend to the disclosure of little or inadequate information in the main body of financial statements. Footnotes should never be used as a substitute for proper classification or valuation and description in the statements, nor should they contradict or repeat the information in the statements. Footnotes are commendable device inasmuch as (i) they present non-quantitative information as an integral part of the financial report; (ii) they disclose qualifications and restrictions on items in the statements; (iii) they give greater details than can be presented in the statements; and (iv) they supply quantitative or descriptive material of secondary importance.

As a rule, footnotes may be used to explain the techniques or changes in methods, indicate the rights of creditors against certain assets, disclose contingent assets and contingent liabilities, state the restrictions on the payments of dividends and describe transactions affecting capital and the rights of shareholders and so on.

All assets and liabilities should be stated in a balance sheet and their effect on the income should be brought out in the profit and loss account. It is only where the value of an asset or liability is negligible or where the value, current or further, is likely to be misleading, that the asset or liability can be omitted from the financial statements.

relevant facts

But if the occurrence of an item of profit or loss arising from the omission to state the asset or liability will have a material bearing on decision-making, the relevant facts should then be disclosed in a footnote. So far as the pending law suits are concerned, the total amount of claims along with other relevant information such as the decisions of lower courts or decisions of other courts in similar cases may be indicated so that the reader may make an assessment of their effect on financial decisions. As a broad principle, reasons for the estimate should also be given regarding the expectations about the outcome of the suit and the material damages to be awarded.

Similarly, a footnote is warranted only where the prior claims of creditors are unusual or more complex than normal. Indication of the contents of such claims must be given where it is considered that they would affect credit or investment decisions or the risk of equity shareholders; or where such claims restrict the freedom of management in the operations or financing of expansions of the company.

It would be helpful if a positive statement of the dividend policy pursued by the management is also given by way of a footnote. Likewise, legal restrictions imposed on the distribution of dividends may also be given. If, however, there are several restrictions which are cumulative in nature, the last restrictive requirement must necessarily be disclosed.

significant changes

Significant changes in the rights of shareholders as to the share in income or assets arising from transactions during the period under report should be disclosed. There are always several types of transactions which are not immediately reflected in the equity but which affect the future rights of shareholders and, in my view, such transactions should also be disclosed.

Accounting generally does not recognise assets of liabilities which may arise as a result of executory contracts. The reason for this is twofold; first, the valuations for such assets and liabilities cannot be made with ease or accuracy, and second, their effect on income would arise in the future and does not arise immediately on the execution of the contract. Since these are contracts or commitments for the future, a disclosure thereof is vital in decision-making, particularly as regards the future maintainable profits. It is, therefore, necessary that such contracts should also be indicated by way of a footnote.

It should be clearly borne in mind that indiscriminate use of footnotes may lead the reader nowhere. In view of the increasing complexities of business, undue use of footnotes need be decried. On the other hand, if the effect of a change is likely to make a comparison of the data misleading, a mere footnote would not

suffice. In such a case, the data for previous years should also be compiled on the new basis to permit a sensible comparison.

In many annual reports the supplementary schedules are included in a separate section generally known as "financial highlights" and the information given therein is of secondary importance inasmuch as such information is supplementary to the information contained in the body of the main statement or even footnotes. However supplementary statements should not be confused with supplementary schedules. Generally supplementary statements give additional information or give information arranged in a different manner rather than give more detailed information. In my view, two guiding principles should be followed in this behalf. First, supplementary schedules should articulate with the balance sheet and profit and loss account so that the reader can find out how they fit into the general pattern or structure. Second, these schedules must accompany the financial statements whenever their use is likely to promote a better understanding. In this matter there is a great scope for development of new schedules and statements.

supplementary schedules

Efforts should be made to see that supplementary schedules are necessarily provided for at least two purposes: first, for disclosure of sources and application of funds and second, for disclosing the effect of price level changes on the financial position and the operation of the entity.

These are also two very important documents and furnish valuable information to the shareholders. The Company Law requires that the report of the board shall deal with (a) the state of affairs of the company; (b) the amounts, if any, which are proposed to be carried to reserves; (c) amounts which the board recommends for distribution as dividends; (d) material changes or commitments, if any, affecting the financial position which might have occurred between the date of the balance sheet and the date of the report; and (e) names and designations of employees entitled to remuneration at not less than Rs 3,000 per month or Rs 36,000 per year. As a general principle the chairman's speech and the board of directors' report are intended to give such information as, (a) non-financial events and changes effecting the operations; (b) future prospects of the industry and the role of the company; (c) development plans for the growth and changes in operations for future years; and (d) the quantum and effect of current and future capital expenditure, and so on.

reflecting changes

Accordingly, these documents should reflect the changes in top management, major policies, technological advance, shift in the demand for products, changes in prices and such events as wars, strikes, natural disasters, political upheavels and so on. As a principle, if such events are likely to have a material effect on the valuation of assets or liabilities or the income for future years, that should be reported in the financial statements rather than be embodied in these documents. However, one point is worth noting that the effects of most of such items, if not all the items, is difficult to translate into terms of monetary unit.

By and large, the managements of companies have a tendency to present optimistic expectations on the high side. Similarly, they talk in general terms bordering on vagueness. For these reasons I think it would be prudent to discount the versions contained in these documents particularly those relating to the future prospects of the company. After all, most of the information contained in these documents is not verifiable.

Contrary to general expectations, audit reports do not guarantee that the statements are correct. In fact, the audit report merely ensures that the auditor has exercised reasonable care and skill in the performance of his work. The implication is that errors and frauds which could not be unearthed by exercise of such degree of care and skill, can still lie concealed in financial statements notwithstanding a clean, unqualified audit report. Similarly, the audit report is not an endorsement of the management's policies. The auditor does not undertake to report whether the business has been conducted efficiently or inefficiently profitably or unprofitably or whether the investment has been made in the most desirable projects. The auditor has no responsibility to report on wastages and losses or to suggest remedial measures to avoid or even minimise them.

Therefore, the auditor's reports should be pursued with due caution. At best the report of the auditor discloses the following types of information: (a) material effect of using accounting method different from those generally accepted (b) material effect arising out of change from one generally accepted accounting method to another; and (c) difference of opinion between the auditor and the management. By and large the auditors are primarily concerned to see whether the generally accepted principles of accounting have been followed. I need hardly state that the accounting principles, as they are at present, give ample scope for management to manipulate accounts. Further, generally accepted principles of accounting are not necessarily good sound or logical principles. I wish soon we could evolve principles which are logical and sound and the auditors are required to report whether such principles have been followed by the enterprise or not.

pinpointing limitations

I have dealt with the standard reporting in the preparation of financial statements. I shall now like to pinpoint the limitations of finanaial statements so that one should guard oneself against the dangers that lie ahead in relying on the statements blindly. It need be emphasised that these limitations have got to be borne in mind under all circumstances otherwise our analysis and interpretation may go astray.

No doubt, the financial statements assume an appearance of exactness and finality, yet they suffer from certain limitations and drawbacks.

First, these statements are just interim reports. They do not and cannot show the correct profit and loss of an enterprise because such profit or loss of the enterprise can be determined only when the enterprise has been dissolved. Most business enter-

ises have a continuous existence or an determinable life. It, therefore, becomes cessary in normal circumstances to have accounting at relatively frequent ervals. The data condensed in financial tements reflect, to a very great degree, dividual judgment as to allocation of sts and revenues over various account- g periods, both past and future. There little doubt that profits are not in any al sense the result of operations during y short period of time. The amount of preciation and the provisions for sses, for contingent assets and liabilities e mere matters of opinion, howsoever refully planned. So is the case with the ovision for income-tax.

Second, accounting records costs are t values. The listing of assets and bilities in a balance sheet is not an ventory of market values or replace- ent costs. Accounting deals with the ministration of the affairs of the continuing business enterprise and therefore, emphasises the flow of costs and the interpretation of assets as balances of unamortized costs. It is, therefore, incorrect to state that accounting records values.

Third, the costs shown in the balance sheet, and the revenues and expenses shown in the profit and loss account exhibit composites of various purchases of assets and sales of products made at different price levels during periods of even significant changes in price levels. The accounting assumption of stable measuring units pales into insignificance and consequently the interpretation of accounting data may yield results that are at times worse than useless.

Fourth, there are certain factors influencing financial position and maintainable profits which have not as yet received adequate recognition for being shown in the financial statements. For example, integrity and ability of the management, the loyaly of workers, credit reputation, sources and commitment for supply, demand for products, regulatory status and the tax status of an entity may sometimes outweigh the importance of figures which are shown in the financial statements, but alas! these items do not find a place in financial statements.

Another limitation of financial statements is that they are more often general purpose statements and are intended to serve the interests of the various parties concerned. Quite often the interest of two or more parties are conflicting and therefore as a matter of sound policy there should be separate sets of financial statements intended for the various parties.

It is, therefore, always necessary for the reader of financial statements to be aware of these limitations and guard himself against relying on financial statements exclusively and solely.

Capacity utilisation in Durgapur steel plant

Dr R. K. Mishra

In this article, Dr R.K. Mishra of the Deparment of Economic Administration and Financial Management, University of Rajasthan, emphasises that to make "socialist industrialization" a success, it is obligatory on the part of industrial concerns, particularly in the public sector, to strive for not only full utilisation of their installed capacities but also the hidden capacities. He deals at length with the problem of capacity utilisation at the Durgapur steel plant, which has been ailing for nearly a decade, and pertinently refers to the various factors which have stood in the way of its successful working. Several suggestions have been made by him to improve the operations of this undertaking.

OCIALIST INDUSTRIALISATION", to quote ofessor Om Prakash[1], "is the logical ategy for India's rapid economic deve- pment." The major hurdle in the way its implementation is non-availability of ance. Only the profits from public terprises can be relied upon as the pro- llers of "socialist industrialization". ere has been a phenomenal growth of blic enterprises in India during the era planned development both in terms of mbers and investment. The profit sition of public enterprises has, how- er, not substantially changed. Under- lisation of the capacity created has yed a significant role in "no" or "low" ofitability of public enterprises. This icle proposes to study the general problem of under-utilisation of the capacities in public enterprises and the Indian industries in general through a case study of the Durgapur Steel Plant (DSP).

The cumulative loss sustained by this unit till March 31, 1976, was Rs 210 crores. The capacity utilisation rate for the project was 51 per cent in 1974-75, after six years of expansion to 1.6 million tonnes of ingot steel. The rate of capacity utilisation was the same in 1969-70, when the first year of the 1.6 million tonnes of ingot steel expansion had been over. During the first year of its operation in 1960-61, the rate of capacity utilisation was 54 per cent. The rate of capacity utilisation for the industrial and commercial undertaking of the central government during this period was below 50 per cent till 1969-70, about 50 per cent in 1972-73 and slightly less than 75 per cent in 1974-75. Recently, the Industrial Development Bank of India report[2] has estimated that the under-utilisation in Indian industries has shot up from 22 per cent in 1968-69 to 30 per cent in 1973-75. According to Solomon[3], "many Indian plants can increase their output by 50 per cent with little or no increase of investment in fixed plant."

The second five-year Plan had production capacity of six million tonnes of ingot steel. Besides expansion of the existing steel plants in the private sector, three one-million tonne plants were set up in the public sector at Rourkela, Bhilai and Durgapur.

The DSP was suggested by the British Technical Mission invited in 1955. The recommendations of the mission were generally accepted by the government. Thereafter, a consortium of thirteen British firms, known as the Indian Steel Works Construction Company Limited, was invited to send a delegation to discuss

the ways and means of constructing the plant and to find out whether there was a satisfactory basis for entering into a contract with a single agency for the supply and erection of a steel plant at Durgapur. The consortium submitted its final estimates and specifications in May 1956. After negotiations on the basis of these estimates and specifications, the contract was entered into by the government of India with the Indian Steel Works Construction Company Limited on October 31, 1956.

The project was under the direct control of the ministry of Iron and Steel up to March 1957. After that, it was transferred to Hindustan Steel Limited (HSL). In December, 1972, the government decided to set up a holding company for steel and associated input industries under the name of "Steel Authority of India Limited." (SAIL), and accordingly, HSL became a fully owned subsidary of SAIL. For the abolition of dual control on the operating units in the steel sector, the government later on decided to set up two separate companies for the different constituents of HSL and retain the name of HSL for the Durgapur Steel Plant. Thus, in 1976, the DSP under the name of HSL became directly accountable to SAIL.

While discussing possible meanings of capacity, Lobel[4] has noted that "the first requisite is that objectives and conditions be specified for each study." To Morris Budin and Samuel,[5] in its broader sense, the capacity refers to the potential output per unit of time that plant can yield under given processes and conditions." This definition is the basis of all the studies which deal with this problem at macro level. The other definition of maximum capacity used in micro level studies[6] computes total capacity on the basis of "total amount of productive time available per year on capital equipment." Bose[7] assumes that fixed capital may be utilised 24 hours a day, 350 days an year, or 8,400 hours per year. It is the latter definition of the capacity which has been followed for the purpose of the present study. It may further be made clear that the term "capacity" in the context of the present study, is interchangeable with the other variations of the term such as "licensed capacity", "rated capacity", "attainable capacity", "designed capacity" and "available capacity". Thus, capacity utilisation in the DSP has been measured on the basis of the following formula:

$$\text{Capacity Utilisation} = \frac{\text{Actual Production}}{\text{Capacity}} \times 100.$$

Table I gives the capacity and actual output of the DSP and the percentage relationship between the two for the period 1960-61 to 1974-75.

The main concern of the DSP is to produce ingots steel and to convert them into saleable steel. In this process of production and conversion, various by-products such as crude tar, benzol and ammonium sulphate are received at the by-products plant.

The DSP's performance with regard to the production of ingot steel has been very low. The capacity utilisation rate, after constant improvements between 1960-61 and 1963-64, touched the peak in 1964-65. But, this could be repeated

TABLE I

Capacity and Actual Output In Durgapur Steel Plant During 1960-61 to 1974-75

(In thousand tonnes)

Year	Steel ingots			Saleable steel			Saleable pig iron			By-products								
										Tar Products			Ammonium Sulphate			Benzol products		
	Capacity (C)	Actual output (A)	%Utilisation (U)	C	A	U	C	A	U	C	A	U	C	A	U	C	A	U
1960-61	314	168	54	251	118	47	300	232	77	57	01	2	21	7	33	—	—	—
1961-62	NA	462	—	NA	362	—	300	282	94	57	39	70	21	11	52	6	1.4	23
1962-63	1000	731	73	800	486	61	300	392	131	57	59	104	21	15	71	6	2.4	40
1963-64	1000	972	97	800	721	90	300	412	137	57	63	110	21	15	71	6	4.4	73
1964-65	1000	1006	100	800	721	90	300	386	129	57	50	90	21	18	86	6	3.2	53
1965-66	1000	1001	100	800	684	86	300	331	110	57	48	84	21	16	76	6	6.1	102
1966-67	1000	754	75	800	550	70	300	201	67	57	30	52	21	10	48	6	3.7	62
1967-68	1000	738	74	800	527	66	300	278	93	57	33	58	21	16	76	6	2.2	37
1968-69	1600	823	82	1239	500	63	300	325	125	57	42	74	21	14	67	6	4.5	75
1969-70	1600	818	51	1239	494	40	300	326	125	57	43	74	21	15	71	6	4.9	82
1970-71	1600	634	40	1239	413	33	300	330	110	57	42	74	21	13	62	6	4.6	77
1971-72	1600	700	44	1239	432	35	300	271	90	57	31	54	21	12	57	6	3.6	60
1972-73	1600	723	45	1239	377	30	300	99	33	57	NA	—	21	NA	—	6	NA	—
1973-74	1600	726	49	1239	477	38	300	125	42	57	40	70	21	12	57	6	3.7	62
1974-75	1600	819	51	1239	520	42	300	125	42	57	40	70	21	9	43	6	2.3	38

N.A. = Not available

Source: (i) Annual reports of HSA for the year 1960-61 to 1971-72; (ii) Annual reports of the SAIL for the year 1972-73 to 1974-75 (iii) Annual reports on the Working of Industrial and Commercial Undertakings of the Central Government, 1959-60.

y once, i.e. in 1965-66 during the t ten years. The expansion programme the plant to 1.6 million tonnes of in- steel had been completed in 1968-69. is could not, however, check the erioration in the capacity utilisation e in this area of production at the P. The actual output of the ingot el against the capacity installed was y 41 per cent in 1974-75, as com- ed to 51 per cent in 1960-61, which s the first year of the operation of the nt.

The production of saleable steel had n lower as the consequence of lower acity utilisation rate in the area of ot steel off-turn. The capacity utili- ion rate for the saleable steel produc- n had been the highest in 1964-65, at per cent. This went on declining to ch a mere 30 per cent in 1972-73. The acity utilisation rate for this area of duction was only 42 per cent in 1974- as compared to 57 per cent in the ini- l year of operation. It is important to e that expansion of the plant capacity m one million tonnes of ingot steel in 0-61 to 1.6 million tonnes of ingot steel 1969-70 in terms of saleable steel from 0 million tonnes to 1.239 million ton- yielded little extra production. The anded plant failed to yield output n to the order of the initially installed acities in the two lines of steel manu- ture.

worst performance

The performance of the plant after ex- nsion in the area of saleable pig-iron s also worse. The expansion of the nt has gone without any increase in capacity installed in this line of pro- ction of the plant. Against 77 per t in 1960-61, the capacity utilisation e concerning saleable pig-iron produc- n in 1974-75 was only 42 per cent.

The under-utilisation of capacity exis- in the area of by-products also. The duction of by-products, ammonium phate and benzol products, was con- erably lower than capacity in many rs of the present study and like ingot l and saleable steel, the production of se by-products in 1974-75 was lower compared to that in 1968-69.

According to the studies conducted by Raghunath K. Koti,[8] lack of demand and shortage of raw materials and components stand out prominent in the way of fuller utilisation of capacities in the Indian industries. . In the view of Professor Samuel Paul,[9] explanation for the under-utilisation of industrial capacities in the Indian economy could be sought into phenomena such as market structure, pressure of demand, size of the firm, import substitution, effective rate of production, raw materials allocation, major additions of capacity in the preceding year, strikes, power shortage and transport bottlenecks.

under utilisation of capacity

Studies on capacity utilisation in the public enterprises [10],[11],[12] have revealed that under-utilisation of capacities therein has resulted from the wrong calculation of the rated capacity, incorrect choice of technology, inadequacy of demand and of power, lack of balancing equipment, industrial unrest and managerial short-comings.

The under utilisation of capacity in the DSP has been the result of a large variety of factors. The present study in this relation has brought to the fore broadly the following reasons responsible for this phenomenon:

1. Lack of auxiliary facilities and quality coking coal.
2. Poor production planning and control.
3. Shortage of power.
4. Inadequacy of demand.
5. Severe labour trouble,
6. Ineffective management.

The real producttive capacity of the DSP has been an issue of controversy[13] over the years. The nominal capacity of the plant after expansion, is 1.6 million tonnes of ingot steel, 1.239 million tonnes of saleable steel and 300,000 tonnes of pig-iron per year. In the opinion of technicians, the blooming mill is not in a position to feed sufficiently the finishing mills to enable them to maintain production at the rated capacity. The principal bottleneck, however, to quote Mr. Tulpule,[14] "was to be found in the auxiliary facilities and also in the quality of coking coal available in the plant."

When the plant was designed, the coking coal used to come evenly divided in 8-wheeler box wagons and 4-wheeler covered wagons as well as KC wagons. For unloading coal, the DSP had one wagon tippler each for box and covered wagons and two for KC wagons. In the course of years, however the railways reduced the coal movement in covered wagons. This resulted in the bulk of coal coming in 8-wheeler box wagons. Quite more than often a situation arose when the two tipplers for the 4-wheeler KC, and one for covered wagons remained idle for lack of those types of wagons, while the single box wagon tippler could not handle all the incoming wagons of that type fast enough. Thus, while there used to be a large number of wagons waiting to be unloaded, there used to be at the same time a shortage of coal going to the beds.

The steel making capacity of the DSP was enlarged from one million tonne of ingot steel to 1.6 million tonnes of ingot steel without enlarging the capacity of open hearth furnaces. The job of enlarging their capacity was taken only in the later part of 1973. Till then, the full capacity of the plant could not be exploited.

defective coals

The design of the plant called for a specified blend of coals being fed to the coke ovens to get the right composition of coke for the blast furnaces and the right rate of gas generation to fire the reheating furnaces in the mills. But, this could never be obtained making it almost impossible to operate efficiently the blast furnaces and reheating furnaces. The DSP coal washery was designed to wash coals with a feedash of about 23 per cent on an average. Actually, the coals, with this percentage of ash could not be found ordinarily and washery had to operate with feed coal ash percentage as high as 28-29. This had a very serious repercussion on the capacity utilisation in DSP. To quote the CPU's report[15], "While according to the project report the ash content ot the coal blend was to vary between 16-17 per cent, the ash content for the period 1969-70 to 1974-75 varied between 20.1 and 21.3 per cent. Although the loss of production, because of higher ash content, was not sus-

ceptible to quantification, it has been reported that there had been loss of productivity to the extent of four per cent per every one per cent rise in ash content in coal".

An efficient and effective production planning and control system (PPC) constitutes the basic premise for the fuller utilisation of capacity. The PPC includes in its fold the installation of full-production facilities, preventive maintenance, general upkeep of plant and supply of raw materials, stores and spares, etc.

One of the main reasons for low production of ingot steel was the inadequate capacity of the slag disposal unit. The most important factor in a steel melting shop is the quick removal of slag out of the shop. If slag production is more than anticipated, its removal lags behind and the shop gets choked. The slag volume was more than anticipated due to the fact that silicon content in the limestone had been much higher than presumed in the original estimates.

soaking pits

Shortage of soaking pits was another lag in the utilisation of capacity. Soaking pits are a kind of furnace to reheat ingots from the steel melting shop before they are sent to blooming mill. Because of shortage of soaking pits, there was accumulation of ingots till March 1966, on the one hand and on the other, the blooming mill, which is the mother plant for feeding all other rolling mills, remained idle for long hours due to inadequate supply of reheated ingots. This resulted in loss of production.

Iron-ore and coal are two important raw materials for the DSP. The DSP did not have any captive iron-ore mines. A major part of its requirements of iron ore (70 to 72 per cent) came from Bolani mines. The fines contained in the lump ores, were more than 11/12 per cent against the plant specification of 10 per cent. The shortage and poor quality of coking coal was a constant threat in the way of an improved capacity utilisation in DSP. The total output of coking coal, during the upturn of seventies, was not adequate to sustain a rising rate of steel production. The minimum safe level of coal stocks for the plant was brought down to 15 days' consumption. Even at the very low level at which the DSP operated during 1971 and 1972, this would have meant washed coal and medium and high volatile coal stocks aggregating to about 65,000 tonnes. The actual coal stocks never came anywhere near this level. Between 1971 and 1974, in the words of MrTulpule,[16] "for weeks, often months on and, the plant operated with hardly four days' stock of coal and there were numerous occasions when coke oven operations had to be deliberately stepped down to conserve critically low stocks. The quantitative shortage of coking coal was aggravated by the very poor quality of such coal with the result that coal blend charged in the coke ovens fluctuated constantly, resulting in fluctuations in the quality of coke produced and consequent difficulties in the plant operation."

The conditions with regard to general upkeep and preventive maintenance were also aggravating. The life of the refractory roofs of the furnaces had come down sharpely due to careless operation. This brought down the furnace availability to a low level. The cleaning jobs in the plant were sadly neglected. The pipelines feeding fuel to furnace frequently leaked or got choked. The mill side was also forced to fare badly as it depended highly on the operation of the upstream units. The effect of the poor upkeep and preventive maintenance on the extent of utilisation of the rolling mills was first pointed out by the committee on public undertakings.[17]

Table II shows that the rolling mills remained idle for considerable periods ranging from 15 per cent to 64 per c of the time available for operation. downtime of main producing units co nued to be higher than planned in future periods of the study. The posit in this regard for the year 1971-72 is gi in Table III.

Chronic shortage of power was one p minent hurdle in the path of capac utilisation. But this problem beca acute after 1971. In fact, shortage power could be ascribed as one sin reason responsible for the awfully l utilisation of capacities during 1970-71 1974-75.[18] At the level of operation p vailing in 1972-73, the DSP's total dema for power was of the order of ab 35MW. Its one power plant had installed capacity of 20MW, of which available capacity at any given time w limited to 15MW. This internal capac was installed to supply power to critical installations. The power need to run the mills was obtained from Damodar Valley Corporation (DVC).

The plant proposed to install anot captive power unit to fulfil its power nee from its own sources. But, this idea w opposed and it was stressed that the DS power requirements should be fulfil from the DVC. Bowing to pressures, DSP entered into a contract with the DV which stipulated on the part of the la to supply to the former 45MVA of pow The DVC's total capacity of power ge ration then was 1,100MW. On acco of factors beyond its control, the gene tion of the DVC in that very year drop down to 600MW and fell further to MW in 1973. This led the DVC

TABLE II

Extent of Utilisation of the Rolling Mills During 1964-65

	No. of hours available for operation	No. of hours for which the mills remain idle	Per cent of w time to total t for operatio
Blooming mill	8384	3895	53.5
Billet mill	8384	5389	35.7
Section mill	8472	2805	66.2
Merchant mill	8000	3134	60.8
Sleeper plant	7384	1518	79.4
Wheel plant	3008	396	86.8
Axel plant	6536	951	85.4

strict the power supply to the DSP to 14 20MVA. Such power cut heavily fected the DSP's production. The DSP ith this much of power supply could run nly one finishing mill besides the bloom- g and billet mills. But, this also hit qually well the other units.

The recession in the demand for indus- ial products and requirements mainly contributed to the nder-utilisation of capacity in the DSP. he recession in the demand for industrial roducts first figured between 1966 and 968 and thereafter made its stage-back fter mid-74. In the wake of recession the omestic demand for steel had started to all after 1964-65. The economic condi- ions during 1967-68 were such as to cause further decline in the internal steel emand.[19] Much the same happened fter mid-1974.

idle capacity

A whole section of the DSP was design- d to take care of the growing railway equirements. Since the projections of ailway requirements turned awry, the DSP's railway section had to face chronic dle capacity. The current railway orders over about two-thirds of the capacity. The fish plate plant for instance is now closed for want of orders from the rail- ways. Such orders have been only for 500 tonnes, whereas the plant has a capacity to produce 11,000 tonnes. The railways have placed an order for 46,000 onnes of sleeper, whereas the capacity of he plant is 75,000 tonnes a year. Orders or wheels and axel sets are very meagre gainst a capacity of 24,715 tonnes. More- over, the orders are mostly for loose wheels and axels. The whole assembly ection is obliged to remain closed.[20] Further, the railways and government had nsisted on the DSP to follow an unrealistic pricing policy. Let alone business profits, t even did not provide for normal price ncreases in wages and materials.

The non-achievement of the capacity in he DSP has largely been associated with abour trouble. The Committee on Public Undertakings[21] noted the occurrence of abour trouble since the very year of its nception. The low productivity per worker was noted by the Pande com- mittee[22] also. High absenteeism, lockouts, ool-down, strikes, go-slow, gheraos and inter-union rivalries have continued to make assaults on the capacity utilisation in the DSP and made it most critical of all the sick units. Table IV provides the relevant information in this regard.

The socio-economic and political background of West Bengal played the leading role in the labour trouble at the DSP. After 1964, the working conditions in the plant became so chaotic that security of the plant emerged out as the main problem before the management than its smooth operation. With the appointment of Mr Bagaram Tulpule, the noted trade unionist, the problem started easing. He fought for the just rights of the labour and made the management concede to their just demands but also at the same time placed a heavy hand on the unsocialistic attitude of the labour in the DSP. It was on account of his ceaseless efforts and prudence that the incidence of labour trouble came down from 17,60,000 man-hours lost in 1970-71 to 2,99,000 man-hours lost in 1973-74. No manhour was lost in the year 1975-76 because of the discipline imposed by the emergency.

Ineffective management had been the root cause of the under-utilisation of the capacity in the DSP. Instead of looking at its own course of action, the manage-

TABLE III

Downtime of Main Producing Units of Durgapur Steel Plant in 1971-72

(In hours)

Producing unit	Calendar time	Total planned	Total available time	Total maintenance delays (mech. & elect.)	Other delays
Sinter plant	17,568	11,748	5,820	1,519	2,002
Blast furnace	35,136	9,013	26,123	492	3,684
Steel melting shop	79,056	22,115	56,931	1,977	10,157
Rolling mills					
(i) Blooming mill	8,784	1,248	7,536	702	3,514
(ii) Section mill	8,784	1,320	7,464	611	3,720
(iii) Merchant mill	8,784	1,360	7,424	774	3,562
(iv) Skelp mill	8,784	4,032	4,752	405	3,031
(v) Sleeper plant	8,784	2,968	5,816	607	1,547
(vi) Fish plate plant	7,568	7,552	10,016	598	3,351
(vii) Wheel plant	8,784	4,200	4,584	987	2,061
(viii) Axel plant	8,784	1,272	7,512	1,132	3,859

Source: HSL, Annual report: 1971-72.

TABLE IV

Strikes in Durgapur Steel Plant

Year	Strikes	Other work stoppages	Refusal to work	Go-slow	Demons- trations	Gheraos	Man- hours lost
1963-64	NA	NA	NA	NA	NA	NA	4,299
1970-71	9	104	21	2	78	4	17,60,000
1971-72	—	95	95	296	84	3	12,80,000
1972-73	14	123	123	758	114	14	2,99,000
1973-74	17	89	89	178	102	—	2,29,000
1974-75	8	18	18	6	121	1	1,18,000

Sources: (i) For 1963-64, Report of the C.P.U. on Durgapur Steel Plant, 1966.
(ii) For 1970-71 to 1974-75, Tulpule, B., "Managing Durgapur Steel Plant: Experience of a Trade Unionist-I", op. cit., p 1997.

ment till 1970 was of the impression that if only industrial conflict could be stopped, this would pave the way for a smooth functioning of the plant and greater production. They did not seem to perceive it primarily as their own responsibility to bring such conflicts under control through training, motivation and better labour-management relations. The management was not innovative, dynamic and skilful in the utilisation of the scarce resources. The management was the least careful about proper upkeep of the plant, indiscipline in the middle and plant level management and their unwillingness to take proper and timely actions on problems.

The fuller utilisation of capacity is very important for a developing economy. It has the effect of lowering the incremental capital-labour and the incremental capital output ratio. Theoretically, the repercussions of the under-utilisation of capacity in the public sector concerns could be evaluated in micro and macro terms. In micro term, the low or no profitability of public enterprises, resulting from the lack of capacity utilisation, prevents the "socialist industrialization" on which depends the success of the rapid economic development of India.

The impact of under-utilisation of capacity on the working of the DSP could be seen from Table V.

It is evident from Table V that low utilisation of capacity did not bring about a proportionate reduction in costs. Since fixed costs accounted for a significant proportion of the total cost, higher utilisation would have brought about considerable reduction in the cost per unit of output. It is important to note that profits could have also increased from the 'turnover effect'. It would be in the fitness of things to mention here that the break-even point for the DSP rests at 107 per cent of the production of the rated capacity of saleable steel. In the case of other steel plants it is reached at lower levels. In the case of Rourkela, it is 55 per cent and in the case of Bhilai 80 per cent.

The improvement in capacity utilisation rate definitely influenced the working results of the DSP. Table VI shows the profit before interest and depreciation for the DSP for the years 1972-73 to 1974-75.

The existing manufacturing facilities in Indian industries could be put to greater use through technical innovations, changes in the product-mix, lowering the effective rate of protection, removal of transport bottlenecks and sufficient supply of materials.[23,24]

The fuller utilisation of capacities in public enterprises could be obtained through creation of realistic capacities, liberalisation of procedures involved in the issue of import licences and grant of foreign exchange, provision of incentives for the indigenous production of the required goods and discouraging private competition in such sectors in which the public industrial capacities are dormant. Public enterprises should also take appropriate steps in regard to diversification of production, promotion of product exports, improvement in industrial relations and toning up of administration.

Several measures would have to be taken to overcome the under-utilisation of capacity in the DSP. First, the

TABLE V

Impact of Under-Utilisation of Capacity on the Profitability of the Durgapur Steel Plant

Year	Level of capacity utilisation	Cost per unit at existing level of output			Cost per unit with full capacity utilisation		Reduction in cost percentage of output at full capacity	Decline of profit from every 1% of under-utilisation of capacity
		Variable cost	Fixed cost	Total cost	Fixed cost	Total cost		
		(Rupees in Lakhs)			(Rupees in Lakhs)			(Rupees in Lakhs)
1964-65	90	22.7	44.8	67.5	40.7	63.4	4.1	0.41
1965-66	86	33.7	43.8	77.5	37.5	71.2	6.3	0.45
1966-67	70	31.5	56.5	88.0	39.6	71.1	16.9	0.56
1967-68	66	40.3	60.0	100.3	39.6	79.9	20.4	0.60
1968-69	63	50.4	75.0	125.4	47.4	97.8	27.6	0.75
1969-70	40	91.0	116.0	207.0	46.4	137.4	69.6	1.16
1970-71	33	102.0	164.0	266.0	53.9	155.9	110.1	1.64
1971-72	35	107.0	109.0	216.0	38.3	145.3	70.7	1.09

Source: Computed from the annual reports of HSL.

auxiliary facilities and quality coking coal would have to be provided in such proportions as may be sufficient Second, an effective and efficient production, planning and control system would have to be installed in the unit. Third, conditions for the generation of the much needed power required to operate critical installations and rolling mills would have to be provided within the unit itself. Fourth, production would have to be diversified to suit the internal and external demand for steel products. Fifth, the promotion of product exports from the DSP is likely to lead to a better utilisation of capacity. Sixth, the existing improved industrial relations climate would have to be maintained and the gains achieved would have to be further strengthened. Finally, and very importantly, the management would have to be dynamic, imaginative, innovative and responsible. It would have to take upon its shoulders the responsibility of the proper upkeep of the plant, ending industrial strifes, the operation of an ideal system of preventive maintenance and smooth operation of plant level operation. It is suggested that the state government of West Bengal extend all help to the management of the concern in the attainment of its objectives.

The under-utilisation of capacity created has played a significant role in the unsound economic performance of the DSP (as also of many public sector enterprises and the manufacturing industries in India). Besides the accumulation of losses of a high order, it has adversely affected the morale of the employees and the management of the DSP. To make "socialist industrialization" a success, it is obligatory on the concern to utilise not only the capacity installed but also the hidden capacities. Suitable measures would have to be taken to establish the requisite atmosphere of working in the plant.

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TABLE VI

Financial Results of the Durgapur Steel Plant

Year	Level of capacity utilisation for saleable steel production (%)	Profit before interest and taxes (Rs in crores)	Profit after depreciation and interest (Rs in crores)
1972-73	30	—2.15	—25.72
1973-74	38	4.24	—18.44
1974-75	42	6.53	—14.32

Source: Annual Reports of SAIL

Britain and the EEC presidency

Robert Gordon-Walker

The British prime minister's first presidency of the European Economic Community, which ended after a six-month period on June 30, the author of this article feels, has been a success. The political coopreation among the nine members of the Community strengthened further during this period and there were several other welcome developments. These included harmonisation of their positions by the member states for major international conferences, great advance on a revision of the internal common fisheries policy, approval of the sixth directive on VAT harmonisation, etc. Following the initiation experience of her first presidency, Britain, the author thinks, is now firmly committed and wedded to the community.

THE PRESIDENCY of the European Economic Community is held in turn by the member states for a six-month period and there is a curious similarity about the course of each occupancy, whichever country is involved.

The country taking over traditionally points out how difficult it is to achieve any radical breakthroughs or initiatives in such a short period, but there is always a feeling among commentators both in the country itself and in the other member states that somehow there is a significance in the six-month slice of time and that something clear and definite will happen which can be attributed specifically to that presidency.

The president normally starts off with the goodwill of colleagues, and this continues for several months until there is a great "row" involving a clash of national interests (in the January-to-June period this often will be connected with the Common Agricultural Policy annual price review). As the presidency comes to its last days, there is often a certain amount of acrimony and a general feeling that it has somehow been "disappointing".

The tenure by Britain which has just ended (on June 30) should be seen in the context of this pattern and of the reality that most of the main issues were inherited from the previous presidency or dictated by the pressure of events. It was Britain's first period in office as she is ninth in line of the new rota of countries established when she, Ireland and Denmark joined the Community on January 1, 1973. Britain was thus able to see all the other countries in action and was at very great pains to prepare thoroughly for her turn.

WINDOW ON THE WORLD

This basic task is to be chairman and business manager of all EEC meetings at ministerial and official level both in the council of ministers and also in the political cooperation framework and at European councils. The British government was determined that business should be discharged smoothly and effectively, and it is generally agreed that this by no means easy task has been carried out exemplarily.

Talking in terms of achievements of the presidency, it is virtually impossible to apportion credit between the presidency itself and the other institutions such as the council or commission. But there have been a number of welcome developments in the past six months in which the presidency has been involved.

There has been a further strengthening of the political cooperation work of the Nine which is becoming increasingly united in its external policies. The member states have harmonised their positions for major international conferences such as the CSCE (Conference on Security and Cooperation in Europe) review preparatory meeting in Belgrade and the Conference on International Economic Cooperation (CIEC) in Paris.

coordinated approach

They continued their coordinated approach to the problems of southern Africa and in the last few days of the presidency agreed on an important modification of the EEC's aid policy to Uganda (June 21) and issued an important statement on the Middle East (at the European Council in London on June 29).

Though agreement had not yet been reached on a revision of the internal common fisheries policy regime, there have been great advances over fishing arrangements with non-member countries. Reciprocal agreements have been worked out with a number of countries, including the USSR, which significantly sent officials to Brussels to negotiate directly with the commission. The six months also saw Portugal's application to join the EEC, and further progress in the Greek accession negotiations. And there was further consolidation in the Euro-Arab dialogue.

Progress on the internal development

of the Nine moved at a slower pace, as is inevitably the case where great national interests are involved. However—and this is of great long-term significance—the sixth directive on VAT harmonisation was finally approved.

The spring CAP (Common Agricultural Policy) price review, as usual, produced the most contention and there was some criticism at the time of Britain's handling of the discussions. However, since then the merits of the package have come increasingly to be recognised, particularly the limiting to three per cent of the average rise in guaranteed prices, makes it probably the most favourable review for the consumer in Community history.

Inevitably, much of the Community's energies in the early part of 1977 were taken up with the struggle to combat inflation, unemployment and slow growih. The British presideney attached a high priority to this, and under the chairmanship of the prime minister, Mr James Callaghan, the European councils held in March and June discussed an action programme which will be pursued over the coming months. The European Investment Bank has been given the go-ahead to expand its lending activities, and there will be concentration on the unemployment problems of women and young people.

As Britain's Foreign and Commonwealth secretary, Dr David Owen, has pointed out, only extreme European indealists could look on these achievements as a catalogue of failure. Following the initiation experience of her first presidency, Britain is firmly committed and wedded to the Community. And it is perhaps significant that on the day she handed over the presidency, Britain completed the last stage in her transition to full membership of the Communty's Customs Union.

Western world's bugbear

E. B. Brook

Reviewing the west European economic scene, Mr Brook in this article suggests that the money worries of the European nations arising out of the hike in oil prices nearly four years ago may get mitigated as a result of the Arab states becoming a major customer of their products. But the one-sided prosperity of Germany and Japan continues to be the western world's begbear.

THE STRENGTH of a chain is its weakest ink, says the adage. No less true is hat the well-being of a continent depends argely on that of its most fragile sector. The febrile situation in the eastern Mediterranean is, considerably more at present han the so-called 'iron curtain', the area f and adjoining the European continent nost likely to cause it trouble. Greece nd Turkey, at deadly odds over Cyprus, re obliged by intense economic weakness o seek at least the first stages towards a ompromise over both that island and the ontinental shelf supposed to cover oil eposits in the Agean Sea which divides hem. Both countries are members of the tlantic Alliance or NATO, but both have xpelled US troops from NATO installaons in their respective territories; neither arty is now a recipient of armaments om the USA. Although both countries re edging towards membership of the uropean Community, their economic eaknesses make them a formidable proem for the west European group and rance looks with hostility on the agriultural produce and exports of Greece as yet another threat to its own agricultural market.

Not far away, Israel, under its less flexible orthodox government poses a threat because of its insistence that the land east of the river Jordan is an intrinsic part of the Israeli land promised to the Jewish people according to biblical record. Their new intransigence has aroused the US government and, significantly, caused the European Commission to assert for the first time that these areas east of Jordan and not part of the Kingdom of Jordan must be the Palestinian homeland. For the first time, official west Europe has spoken, under Israeli provocation and obstinacy, of a 'Palestinian homeland', an implication of potential official recognition later of some Palestinian government authority.

This potential trouble in the south-east of Europe's area impels both the British and the French—who still regard the near-east of Europe as very much their own special beat—to be more forthcoming to Saudi Arabia and the Gulf states than they might otherwise be. For the first time, these states can—and do loudly—speak the language of money. Britain is not alone in going some way towards balancing its adverse financial international balance by massive arms exports to Saudi Arabia and the Gulf states, among others. Israel, backed by world and especially by American Jewry, and the Arabs armed largely by Europe present an imminent threat to the peace of Europe's south-eastern area. The days, only some five years ago in time, when the image of the Arab was a terrorist, have long dissolved into a period when the Arab is a wealthy arms, hotel and mansion-buying plutocrat whose approaches are more than welcomed alike by businesses and governments in west Europe. The oil price rise in 1973 has made the European, nervously anxious to be able to afford oil purchases for his industry, into an Arab-orientated trader, the terriorist into an old-fashioned hero or hoodlum according to taste and the Israeli, once the gallant and successful hero, into one of the world's major nuisances.

There is, however, a possibility that the money worries which have made the European change many attitudes, may themselves be changing. The immense and sudden wealth which has made the oil-owning Arab states a major customer of the European and an economically welcome guest to all with things to sell, is

known as the OPEC surplus which hitherto has taken the form of a largely unspendable surplus. The existence of this huge surplus has taught the rest of the world the technique of trying to eliminate deficits of payment, largely by the process of trying to shuffle off one's deficit on to someone else. At the moment, the only major industrial country still moving into deeper deficit is the United States; the British are beginning to have trouble in holding down the exchange value of the pound-sterling as their hitherto formidable deficit dwindles. For this reason, also, at the current meeting in London of the European Commission, West Germany is under pressure again about doing something about its trade surplus. With diminished growth in commerce and in investment in many of its industries, West Germany is likely to maintain the dour face which has become associated with it in matters financial in recent years. The desire to reduce deficits, also, has led to, proposals to increase the resources of the International Monetary Fund. It colours also many discussions among international bankers whoso current bugbears are the indebtedness of many of the industrially developing countries and of the COMECON members.

shrinking surplus

But this attitude could change if the OPEC surplus stopped growing or began to grow very much more slowly. If this happened, the worrying kernel of the threat to world economy would shrink and cease to be a matter of concern. Practical problems of financing national imbalances would become much more manageable. The current account balance of Saudi Arabia, Kuwait, Qatar and the United Arab Emirates shrank from $37 billion in 1974 to $32.3 billion last year; those of the rest of OPEC, including Iran. Indonesia, Nigeria and Venezuela, shrank more drastically from $27.7 billion to $5.3 billion. If President Carter succeeds in his persuasions with US industry to use less imported oil, if OPEC production begins to slow as new discoveries of oil in west Europe and north America come on stream and if Saudi Arabian imports double by 1980 while the rise in oil prices falls more into step with that of manufactures, there could be a very different financial picture within even three years' time. One forecast, based on these expectations, reduced the four richest OPEC states' current account balance to about $16 billion by 1980 and puts the rest of OPEC into deficit by over $5 billion.

Another factor not generally recognised in the hubbub about the foreign debts of the industrially developing countries is that these countries, with their overseas balances have current accounts in a less seriously deteriorating condition than those of the smaller industrial countries. Those in the industrially developing world sector who have little or no oil are now in a better position to export both to OPEC and the industrial world than is generally supposed. If there has to be any refinancing, it will not be of a sufficiently serious character to damage the world banking system irreparably.

Within west Europe there is beginning to be the re-emerge of an old, almost classical pattern — French fears over German growth. The French are increasingly alarmed by the sheer size of their German partner in the Common Market and in the special relationship characterised by the six-monthly meetings between the two heads of state, an event that no longer interests the Germans very much. The power gap between the two states is widening. Fifteen years ago, in the time of de Gaulle France was the larger partner and Germany, led by Adenauer, found in the two state relationship a means to return to the European world after the trauma of its Nazi period. Since then, Germany has grown so strong that Bonn dominates the Common Market, the Deutschmark towers above the franc and German exports are cornering areas of the world market where France, Britain and the United States were formerly unchallenged. French inflation runs at about twice the West German rate and repeated revaluations of the mark have done nothing to diminish demand for German exports. France, on the other hand, will have a worrying trade deficit by the end of this year, while German exports to France have increased by nearly 30 per cent. A prospect of political uncertainty in France as elections approach next year promises little improvement in the French position.

Meanwhile, both West Germany and Japan have refused to bow to international pressure to take new measures to stimulate their economies and reduce their dependence on exports. This one-sided prosperity and the inflation-unemployment complex continue as the western world's bugbear not to be chased away by resolutions.

Eastern Economist 30 Years Ago

JULY 18, 1947

It is difficult to understand the failure of Government to publish the reports so far submitted by the Commodities Prices Board. Possibly Government have been unable to take decision on these matters yet, but there is no time-honoured rule that a report can only be published along with the decision taken thereon. The Board was constituted in February last with a view to tendering technical advice on urgent matters of price policy on which the Government were unable themselves to take the right decisions in view of the conflicting claims and pressures of rival interests. The impartiality and the expert quality of the Board's findings were emphasised by Government as particular merits at the time of its constitution. If that were so, the public has a right to know whether the Board has submitted any reports and on what commodities, what its recommendations are, and what the Government propose to do about them. Substantial extracts from the report of the Board have been published in several papers. It is difficult to say how far they are authentic. Government could certainly have prevented all this ill-informed speculation if they had released the reports in time. If the findings and recommendations of the Board are such as not to meet with acceptance by Government, it is all the greater reason why they should be published and the public convinced of the opposite decisions which the Government might take. The present standstill arrangement due to partition is no impediment to their publication.

Neelam Sanjiva Reddy--

Time magazine or Mr Kuldip Nayar ould spell it out—has made it at st. A case of consensus triumphing over nscience? Mrs Indira Gandhi's reac- on, I suppose would be "no comment". ncidentally, consensus, it appears, is the der of the day—look how consensus s been cooked up in the Janata party favour of Mr Dinesh Singh's candi- ature for Rajya Sabha.) Barring such evelopments as Mr V.V. Giri once again exing his muscles and resolving to surrect conscience as an issue, the presi- ntial election this time should be an neventful episode. Mr Jaya Prakash arayan, of course, has done his bit to nd colour to this event. He has expressed s personal preference for Mr Achyut atwardhan, but, as he has explained bsequently, this was only an opinion pressed in a private conversation. The ference, I suppose, is that the Janata aders did not consult him. Too bad of em, really.

Once a new president is elected, Mr tti will revert to his regular post of vice- esident. The Constitution provides that e vice-president shall hold office for a rm of five years from the date on which enters upon his office. It is for Mr Jatti decide whether he should stick out the ll term which would take more than a ar to run out. When Mr Sanjiva Reddy elected to the office of president, both esident and vice-president will be South dians and they will also be from the ajority community. There has been a nvention that these two offices should shared between the north and the south d between the majority community on e one hand and the minority communi- s on the other. Mr Jatti may perhaps up a wholesome precedent by resign- from the office of vice-president and ereby creating a vacancy for a Muslim or a Christian from north India. It will also be an excellent idea if a Parsi or a Harijan, even if the latter, strictly speaking, does not belong to a minority community, could be thought of. I hope Mr Jatti will rise to the occasion.

Mr Sanjay Gandhi has

categorically denied allegations that he has an account with a bank in Switzerland and that a bank draft in favour of his wife has been issued at his instance and debited to his account by that bank. The allegation was first made on the front page of *The Statesman's* Delhi edition on July 6 and figured in the proceedings of parliament on the following day. Although the other Delhi dailies published Mr Sanjay Gandhi's denial on July 8, along with the report of the discussion in Lok Sabha, *The Statesman* took 24 hours more to publish Mr Sanjay Gandhi's statement. This certainly was odd behaviour, considering that it was *The Statesman* which had given currency to the allegations in the first instance.

But, then, the manner in which *The Statesman* thought fit to publish the allegations was in itself extremely strange. It reproduced what was purported to be a photo copy of the "bank draft", with no further explanation than that it was sent to *The Statesman* by "a reader in Switzerland." The allegations made against Mr Sanjay Gandhi and, by implication, against Mrs Maneka Gandhi are being inquired into by the government. However, whatever may be the final findings, there need be no hesitation on the part of any of us to condemn outright the manner in which *The Statesman* has chosen to give currency to allegations of such a grave nature against private individuals who, whatever their misdeeds or political record may be, are still citizens of this country. *The Statesman* has simply said that the bank draft has been sent by "a reader in Switzerland". It has not claimed that it has made any effort to ascertain the authenticity of the document so that it could reasonably be sure that it is not being misled into publishing serious allegations charging one or more persons with committing criminal offences. Normally, in matters of this kind, no newspaper with a sense of responsibility or concern for fair play would rush into print when the source of its information is merely "a reader in Switzerland", or, for that matter, a reader in New Delhi or Calcutta, unless of course it is in a position to state that it accepts the *bona fides* of the "reader" or his report.

Recently, in the UK,

The Daily Mail was put in the dock for publishing a forged document alleging illegal pay-offs by British Leyland to customers in the middle east. Its conduct in not taking steps to verify the information or material before publishing the allegation has been roundly condemned by the rest of the British press as well as in the British parliament. The Press Council in the UK is also seized of the matter and, for good measure, libel suits by the aggrieved parties are in process. I am not suggesting at this stage that the "photo copy" of the bank draft published by *The Statesman* is a fake. But, whether the photo copy turns out to be authentic or not, the fact remains that *The Statesman* has apparently not taken steps to verify the genuineness of the document before publishing it.

I may be asked why I should assume that *The Statesman* had not satisfied itself that there are reasonable grounds for giving credence to the photo copy sent by "a reader in Switzerland". The short answer is that, if indeed *The Statesman* had done this exercise in verification, it owed it to its readers generally and Mr Sanjay Gandhi and his wife in particular to say so and bind itself to stand by its report. Mr C. R. Irani, the managing director of *The Statesman*, who has lately been collecting awards abroad, should ask himself whether journalistic ethics are only for emergencies.

VB

MOVING FINGER

TRADE WINDS

Unit Trust

THE UNIT Trust of India feels gratified that it has been able to step up further its dividend rate under Unit Scheme 1964 to nine per cent for the year ended June 30, 1977, as against 8.75 per cent for the last year, despite an increase in Unit capital of the order of Rs 25 crores (approx). For the first time after the introduction of Unit Scheme 1971 (Unit-Linked Insurance Plan), the dividend under this scheme has also been stepped up to eight per cent from seven per cent. For Unit Scheme 1976, the dividend is maintained at three per cent. The Trust has already announced the special offer price of Rs 10.70 at which Units are on sale throughout the month of July.

In more than one area, the Trust's performance scaled new heights during 1976-77. Sales of Units under the 1964 Scheme aggregated Rs 33.50 crores as against Rs 20.76 crores surpassing the target of Rs 28 crores fixed for the year and the previous peak of Rs 30.3 crores reached in 1973-74. The number of applications have also increased from 28,730 to 41,695. There was a substantial decline in repurchases from Rs 10.95 crores in the previous year to Rs 7.80 crores during the year under review. As a result, the net sales aggregated to Rs 25.70 crores. At the end of the year, Units sold and outstanding amounted to Rs 183.35 crores under about 650,000 applications. The children's gift plan—part of 1964 scheme—has also registered improvement. The sales under this plan aggregated Rs 49 lakhs as against Rs 40 lakhs in the previous year. The Trust continued to make special efforts for promoting sale of Units to the non-residents. Sale of Units to non-residents went up from Rs 43 lakhs last year to about Rs 50 lakhs during the year under review. In respect of Unit-Linked Insurance Plan—one of the most attractive plans operated by the Unit Trust in collaboration with the Life Insurance Corporation of India—the progress was equally good. During the year nearly 3,200 members joined the plan for a total target amount of Rs 2.92 crores in the previous year.

The total investible funds of the Trust as on June 30, 1977 amounted to Rs 215.73 crores of which Rs 177.21 crores represented investments. During the year, the financial assistance provided by the Trust by way of underwriting and direct subscription amounted to Rs 13.80 crores which was more than double the previous year's assistance of Rs 6.49 crores.

Imported Oil for Vanaspati

The union government has raised the usage of imported edible oils in vanaspati manufacture to 90 per cent from the present level of 75 per cent. The vanaspati manufacturers can avail of the enhanced quota till the end of September this year but they will have to pay more by way of issue prices because of the hike in international prices of edible oils in recent moths. The manufacturers have, however, assured the government that the wholesale price of vanaspati will be kept at Rs 158 per 16.5 kg inclusive of excise duty but excluding other taxes.

Banned List of Industries Revised

The Small Scale Industries Board of the ministry of Industry has issued a revised list of industries in respect of which the registration of new units or expansion of existing units is banned. These industries have been categorised under three heads.

Items banned in toto:- (1) Pesticides formulations, (2) Polyurethene foam, (3) Transformer oil, (4) Baby food, and (5) Malted milk food.

Items banned except for being set up in backward districts (eligible for concessional finance) and RIP areas: (1) Manufacture of stainless steel products: (a) domestic utensils, (b) wiper blades made of stainless steel strips, (c) hospital equipment wares and furniture made of stainless steel sheets and strips, (2) plastic products made from LD & HD Polythelene, (3) cork stoppers, (4) wires and cables (aluminium), (5) tin containers and similar products using tin sheets, (6) ACSR and AC conductors (subject to capacity assessment of the unit), (7) wire drawing of MS & stainless steel in the category of thicker gauges up to 18 s.w.g. (subject to capacity assessment of the unit), (8) stainless steel watch straps, (9) bright bars (subject to capacity assessment of the unit), (10) washing soap, (11) PVC footwear, (12) zinc oxide.

Items banned except in states where there are no such units in the line are acrylic sheets ane steel re-rolling mills. The ban imposed in September 1976 for new entrants only in respect of items of electronics has been removed and registration of units manufacturing such items will be governed by the guidelines of industrial policy of 1977-78. These items are:—T.V. receivers, tape recorders, T.V. deflectors components, electronic desk calculators, and mini micro motor. The list of industries will be reviewed again after a period of six months and will remain in force till it is revised.

Relief for Radios and Soft Drinks

Radios and transistors made by cottage units, with ex-factory price not exceeding Rs 165, have been fully exempted from the levy of central excise duty. The concenssion will apply irrespective of the number of wave bands in these sets. A concessional rate of 15 per cent *ad valorem* in the levy of excise duty on radios and transistor sets had already been extended to small scale manufacturers in the budget proposals.

The Finance ministry has announced another concession to small manufacturers of aerated waters which, it says, will enable them to compete with bigger manufacturers and thus reduce their prices of sweet drinks by about 15 paise per bottle. Non-power operated water manufacturing units which are completely exempt from payment of excise duty are now permitted to use power to the extent of 1 h.p. for carbonization of water and half a horsepower for washing

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bottles. Further, while sweet drinks containing extracts of cola (kola) nuts will continue to pay duty at 55 per cent *ad valorem*, clearance by a manufacturer up to 5,000,000 bottles in a year of other sweet drinks will be subject to duty at 25 per cent *ad valorem* only.

Aid Club Meet

The World Bank consortium has pledged a little over $2 billion of gross development aid to India for 1977-78 to help achieve her medium-term economic objectives. This represents a substantial increase over last year's commitments which stood at a gross $1.76 billion. The net aid last year was $1.3 billion.

The consortium's pledge which came at the end of the two-day meeting recently between representatives of the World Bank and donor countries and Indian officials was coupled with a commendation by the consortium members of the union government for the continued good performance of the Indian economy. Mr Ernest Stern, vice-president of the World Bank for South-East Asia who chaired the meeting stated that the new government's emphasis on rural development and greater investments in agriculture and small-scale industries was endorsed by every member as a very desirable re-allocation of resources. The Indian team was led by Dr Manmohan Singh.

Mr Vora on Dena Bank

Mr B.K. Vora, formerly general manager of Punjab National Bank, who took up his new assignment as chairman and managing director of Dena Bank on May 25, is obviously pleased with his legacy and determined to build big on it. Discussing the performance of the Dena Bank during last year, he has stated that the deposits, which had increased by 15 per cent in the previous year, grew faster at 21 per cent in 1976, to a total of Rs 421 crores. The aggregate advances of the bank went up by Rs 68 crores to Rs 318 crores at the end of December, 1976. Advances for food procurement accounted for Rs 30 crores and to the priority and neglected sectors for Rs 20 crores. A special feature of the advances to the priority sector was that loans were made to 13,336 small farmers for various agricultural development schemes.

The new chairman drew special attention to the bank's plans for disbursing a total amount of Rs 8 crores during the current year to small far-



mers for agricultural development schemes. The bank has adopted 92 villages so far, under the Area Development and Intensive Agriculture Finance Scheme and credit totalling Rs 1.47 crores has been disbursed to 2,751 farmers. About one per cent of the bank's total advances has been made to small industries. These loans totalled Rs 47.8 crores at the close of 1976. Mr Vora disclosed that the bank intended to add 80 branches during 1977 to its existing network of 633 branches. An intensive deposit mobilisation scheme is to be launched during the year. It would be geared particularly to the promotion of savings among industrial workers, military personnel and college students.

Change of Portfolios

The prime minister Mr Morarji Desai has shifted union minister, for Industry, Mr Brijlal Varma, to the ministry for Communications. Mr George Fernandes, who held charge of the ministry for Communications has become the minister for Industry.

Steps to Improve Yield of Oilseeds

The union government has sanctioned a centrally sponsored scheme for extending the area under irrigated groundnut, rapeseed and mustard. The scheme will aim at popularising the adoption of improved agronomic practices, including use of seeds of improved variety, maintenance of optimum plant population, application of fertilisers, pests controls etc. Field demonstration and training of extension workers also form a part of the scheme. The average yield of oilseeds is considerably higher in irrigated areas as compared to that in unirrigated areas. There is, however, great scope for improving the yields. The improvement of the yield of irrigated groundnut, as also of other oilseeds, is periodically reviewed at the all India oilseeds workshop and at the meetings of the Indian Oilseeds Development Council. A special group recently constituted by the union government has recommended intensification of seed production programme and plant protection measures on groundnut and other oilseeds, both in rainfed and irrigated areas.

Gujarat State Financial Corporation

Gujarat State Financial Corporation has extended the moratorium period up to 24 months for new units to facilitate them during the construction period. Initial free period for existing units contemplating expansion will be 12 months. The corporation has also decided that repayment of instalments would be based on the actual amount of disbursement and not the amount of sanction as hithertofore. These relaxations were announced by Mr B.R. Patel, chairman of the GSFC at the annual general meeting of its shareholders held recently.

The corporation has raised special capital of Rs 40 lakhs to assist entrepreneurs having limited means of their own by providing soft loan to fill up the gap in promoters investment, at a concessional rate of one per cent and moratorium period extending up to 5 years. The assistance from this capital would be restricted up to a limit of 20 per cent of the project cost or Rs 2 lakhs whichever is lower. The operations under this scheme have already begun during the current year. The corporation reduced the margin to 15 to 20 per cent for giving further thrust to development of industries in backward districts. The GSFC has sanctioned loans amounting to Rs 881 lakhs to 584 units in backward areas in 1976-77.

ACC Bags Award for Rural Work

Mr Kamaljit Singh, managing director of the Associated Cement Co. Ltd received the first annual award instituted by the Associated Chambers of Commerce and Industry for his company's "outstanding performance in the promotion of rural and agricultural activities." Mr H.M. Patel, union Finance minister who was the chief guest at the Chambers' annual general meeting at New Delhi presented the award to ACC. The rural development programme of the company was started 25 years ago and through a network of 12 village welfare centres over three lakh villagers have benefited in 225 villages all over India. The programme was launched in the vicinity of ACC's factories primarily to raise the economic and social standards of the villagers by instilling in them a spirit of self-help and self-reliance. Women and youth of the villages were encouraged to participate in the development activities through mahila and yuvak mandals,

MSSEMA Welcome Excise Exemption

In a recent representation to the union minister for Finance Mr H.M. Patel, the Maharashtra Small Scale Electrical Manufacturers Association has stated that the excise exemption to all small manufacturers with turnover of Rs 5 lakhs was quite welcome, nevertheless the same might give rise to certain malpractices and act as deterrent to production and utilisation of maximum production capacity and quality product. For instance many small scale units may divide themselves in smaller units to take the advantage of the proposed excise duty. The marginal units with Rs 6 to 7 lakhs production may reduce their production below Rs five lakhs to avoid the cumbersome excise procedure thus reducing over all production and creating unemployment. For these and many other reasons, the entire small scale sector should be given this exemption.

Centre for Fiscal Studies

Centre for Fiscal Studies has been established recently to understand various fiscal problems which have to be looked at from the economic, legal, accounting and social points of view. For some time, a need had been felt for an institution which combined such interdisciplinary talents to make collective assessment of problems. The centre is a non-partisan academic institution. Its membership is confined to professionals, academicians and researchers in the field of economics, law, accountancy and management. The sponsors of the centre include economists such as prof. Raj Krishna Mr. D.H. Pai Panandiker, Prof. G.S. Roychowdhri; lawyers such as Mr O.P. Vaish, Dr. L.M. Singhvi, Mr. F.S. Nariman; chartered accountants such as Mr. P.M. Narielvala, Mr. Rameshwar Thakur, Mr. N.K.P. Salve and company executives such as Mr. S.N. Gupta, Mr C.K. Hazari and Mr H.R. Gupta.

The centre has outlined a programme of work after intensive discussions at a symposium held recently. It was accepted by the participants that poverty was essentially a mani-

festation of unemployment and underemployment and given the right approach and necessary drive on the part of government, could be eliminated within a decade. Obviously, future efforts have to be directed firmly towards development of agriculture. This requires, in particular, creation of irrigation facilities at about twice the rate than at present and higher priority and greater bias to small scale enterprises in industrial and financial policies. A corresponding reallocation of budgetary outlays is, accordingly, called for.

More Fertilizers

The off-take of fertilizers from the central pool during the month ending May 15, 1977 was 11,000 tonnes as against 5,000 tonnes during the corresponding period last year. The availability of different varieties of fertilizers, specially urea and complex fertilizers, was quite comfortable. The rail transport position in respect of imported as well as domestic fertilizers during May 1977 was also satisfactory. According to informations available from eight states and one union territory, the overall consumption of fertilizers during April 1977 was higher by 49.8 per cent as compared to that in April 1976.

Decline in Tea Prices

Measures taken by the government to curb the rise in prices for teas of all varieties is beginning to produce results. In the auction held in Calcutta recently, tea prices showed a decline. Prices of leaf tea were down by almost Rs 10 per kg and those of dust tea by Rs 5 per kg. Efforts have also been made to persuade the tea producers to offer large quantities of tea at auctions with a view to ensure adequate availability for the domestic market.

Hindustan Chamber Meet

Mr H.C. Kothari, president, Hindustan Chamber of Commerce, Madras welcomed the appointment of Palkhiwala committee to suggest ways and means of simplification and rationalisation of direct tax laws and such further alterations as are desirable in the interest of national economy. He also stated that our export performance during the current year was expected to be satisfactory. The import policy, he added, was broadly based on 'trust in trade' and it was for the business community to keep the trust imposed on them. It was admitted, by all sections, he added, that the import policy was bold and imaginative. The foreign exchange resources of over Rs 3,300 crores, which are at present idle, were being put to best use to stimulate growth and productivity. The procedures relating to applications and issue of licences had also been simplified. Small scale sector, which was struggling had been given sufficient incentives to develop itself.

Rajasthan Financial Corporation

For the first time, the Rajasthan Financial Corporation (RFC) is raising special capital. A sum of Rs 25 lakhs has already been contributed by the state government and a matching contribution from the IDBI is expected to be received shortly raising the special capital to Rs 50 lakhs. The object of raising this special capital is to enable the corporation to provide assistance on soft terms to projects in the small-scale sector which are basically viable but which may have difficulties of being implemented because of financial handicap of promoters or due to certain locational disadvantages A nominal rate of interest of one per cent will be charged and extended moratorium in the repayment of interest and principal sum will be allowed. The corporation would give preference to industries being set up by new technician/enterpreneurs or craftsmen or other persons who, though not qualified, have some practical experience or skill in the line and to those industries which are proposed to be located in backward areas. The corporation is also raising its authorised capital from Rs 3 crores to Rs 7.5 crores.

The RFC has made significant progress during the year 1976-77. The gross income and net profit rose to Rs 182.79 lakhs and Rs 68.08 lakhs showing an increase of 22.88 per cent and 15.61 per cent respectively over the corresponding figures of the previous year. After making a net addition of Rs 39.73 lakhs to reserves, RFC's total reserves

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stand at Rs 153.72 lakhs as on March 31, 1977. As against the total number of 285 applications for an aggregate demand of Rs 827.76 lakhs for term loan registered during 1975-76, the corporation received 442 applications for Rs 974.28 lakhs during 1976-77, marking an increase of 55.09 per cent in the number of applications and 17.70 per cent in the amount of assistance demanded. The majority of the applications were received in the second half of the year as a result of extensive and persistent promotional work by the RFC staff. RFC has set a new record by assisting 351 industrial units in the financial year 1976-77.

Disbursal of Bank Credit

Several important recommendations designed to ensure the expeditious disbursal of commercial bank credit in the north-eastern region comprising five states viz Assam, Manipur, Meghalaya, Nagaland and Tripura and two union territories viz Arunachal Pradesh and Mizoram have been made by the working group constituted by the Reserve Bank in August, 1976 in its report submitted to the bank. The recommendations cover broadly use of intermediaries, role of regional rural banks (RRBs), and improvements and modifications in the operational methods and procedures of banks.

In view of the differing conditions in different states and union territories in the region, the working group has suggested that the commercial banks may use different agencies or intermediaries and lend directly, so as to reach the remote places and to disburse credit in the region. As regards the role of RRBs in the north-eastern region and their location, the working group has suggested that banking expansion in the region may also be brought about through a local-based and rural-oriented institution like a RRB. Each state should have one RRB in its territory.

Several improvements and modifications in banking procedures and operational methods have been recommended by the working group. The new branch licensing formula introduced in 1977 (four unbanked centres for two banked centres) should be applied to measure the performance of individual banks operating in each state in the region and not on an all-India basis as at present, the shortfall in coverage of unbanked rural centres being made good by a time-bound programme of, say, a year or so.

Delegation of Power

Banks should review their policy of delegation of powers to branch managers and should increase, whetever necessary, the number of 'Controlling Offices' in the region. They must bring about some uniformity in the discretionary powers of their branch managers in the same centres in respect of loans to weaker sections. They should also build up their own extension service cadres for this region, with provision of suitable transport facilities to them. Loan application forms should be simple and uniform as prescribed by the Reserve Bank for agricultural loans and as devised for RRBs for non-agricultural pruposes by the working group on simplified accounting and other procedures for RRBs.

The union government should consider making suitable changes in the Differential Interest Rates Scheme so as to benefit borrowing through RRBs, cooperatives and allied agencies in the region. The Credit Guarantee Corporation (CGCI) cover may be extended to bank lending through RRBs, cooperatives and similar agencies in this region and the proportion of the risk born by CGCI be also raised in respect of advances in the region.

Buckets for Hydraulic Excavator

Several new backhoe and shovel buckets are being added to the range of attachments available for the world's largest hydraulic excavator, the Poclain 1000 CK. The hydraulic excavator and its attachments are manufactured by Poclain S.A., France, represented in India by Larsen and Toubro Limited. Maximum bucket sizes for the 170-tonne, 916 hp excavator are now 15.3 cubic metres on face shovel and 10 cubic metres on backhoe. Part of Poclain's new hydraulic excavator and loader range, this top of the range model is designed specifically for the largest earthmoving contracts and for open pit mining.

The 1000 CK is fitted with two twelve cylinder, air cooled diesel engines producing 458 hp each at 2,300 rpm. Each of these engines powers a 640 litre minute piston pumps to feed the Poclain Variodyn cir cuit. This patented hydraulic system consists of two four-bank, fixed flow pumps capable of generating pressures of up to 320 bar (4,650 psi)—400 bar (5,800 psi) intermittently for arduous duties—for maximum system efficiency. Downstream from these tough and simple pumps are a series of pressure sensitive values which either reduce flow when digging resistance builds up, or increase it if the resistance drops to speed up machine movements.

Cyclotron for Bhabha Centre

The Variable Energy Cyclotron of the Bhabha Atomic Research Centre, Calcutta, went into operation at 6 a.m. on June 16, 1977, when a beam of charged alpha particles was successfully accelerated. A copper foil placed inside the accelerating chamber of the Cyclotron was irradiated with the alpha particles and radioactivity produced was analysed. The 224 cm Cyelotron, which is designed to give an energy of 130 MEV alpha particles, has been constructed at a total cost of Rs 8.9 crores including a foreign exchange component of Rs 1 crore. The construction of the cyclotron was entirely indigenous. A large number of industries in the public and private sectors have taken part in fabricating the components of the Cyclotron. At the peak of fabrication, over 200 scientists and engineers of many disciplines have taken part in the construction and installation of the machine.

Names in the News

At a meeting of the National Council of the Public Relations Society of India held recently Mr J.M. Kaul was elected president of the Public Relations Society of India for the year 1977-78. Mr Kaul is the public relations manager of Indian Oxygen Limited (IOL). He is a member of the International Public Relations Association.

Readers' Roundtable

Pants Down

SIR—V.B.'s column "MOVING FINGER" (*Eastern Economist*, May 13) erred in two places. The reference to Mr Brahmananda Reddy stated that he was always being caught with his pants down. Poor Mr Reddy ! He wears only a 'dhoti'. The other place where V.B. slipped was this : "When Mrs Vijayalakshmi Pandit fondly explained that Mrs Gandhi was after all her niece and Mr Sanjay Gandhi, consequently, *his* grand-nephew, she was only stating flesh-and-blood facts, however unpalatable." (Italics mines). True, Mrs Gandhi, in the days of her power and glory, was considered to be a MAN by friend and foe alike, but since when has Mrs Pandit been promoted to the masculine race ?

S. Sitaraman

Jamshedpur.

[V.B. writes : "I was only trying to be kind to Mr Brahmananda Reddy. When one's pants are down, they can be pulled up into position quickly. When one's 'dhoti' is down, it is also down and out. As far 'his' instead of 'her' it is an obvious proof-reading mistake, otherwise uncharitably known in the trade as 'printer's devil'. By the way, why 'promoted' ? Is Mr Sitaraman, I wonder, a male chauvinist...?"]

Forget and Forgive ?

SIR—This is to endorse your views expressed in the editorial, 'No second thoughts. (*Eastern Economist*, June 17). You are quite correct in posing the question : "When, as a matter of fact, we do find that we have a witch on our hands, what are we supposed to do with her? Put her on a broomstick and wish her 'happy landing' ?" Many thanks for this timely comment and a courageous one at that.

The trouble with the leaders of the political parties in India is that they regard the electorate as youngsters and themselves as parents. The leaders of the Janata party seem to be no exception to this rule if the high-sounding statements by the prime minister and his colleagues, such as Mr Raj Narain and Mr Shanti Bhushan are any indication. Once such leaders come to power, their disregard for the wishes of the people becomes more and more evident.

If Indira Gandhi and her gang in New Delhi and state capitals are going to be forgiven, what sense does it make to institute inquiries into the crimes committed during the Indira rule ? Does it not boil down to the virtual acceptance of the Congress version that holds some officers and over-zealous policemen responsible for the 'excesses' ? Will it be proper to punish some police officers in Kerala, Andhra Pradesh and West Bengal, for example, and leave Mr Achuta Menon, etc., untouched?

Let us see what the Civil Rights Committee headed by Mr V.M. Tarkunde says in its report on the killings in Guntur released on June 11 :

"Killings of the kind we have investigated thus far cannot be the work of policemen acting on their own. Policemen often beat and sometimes torture citizens who have fallen into their custody. But they would not murder citizens unless they were certain of support from the very top."

And the recommendations of the committee include the following :

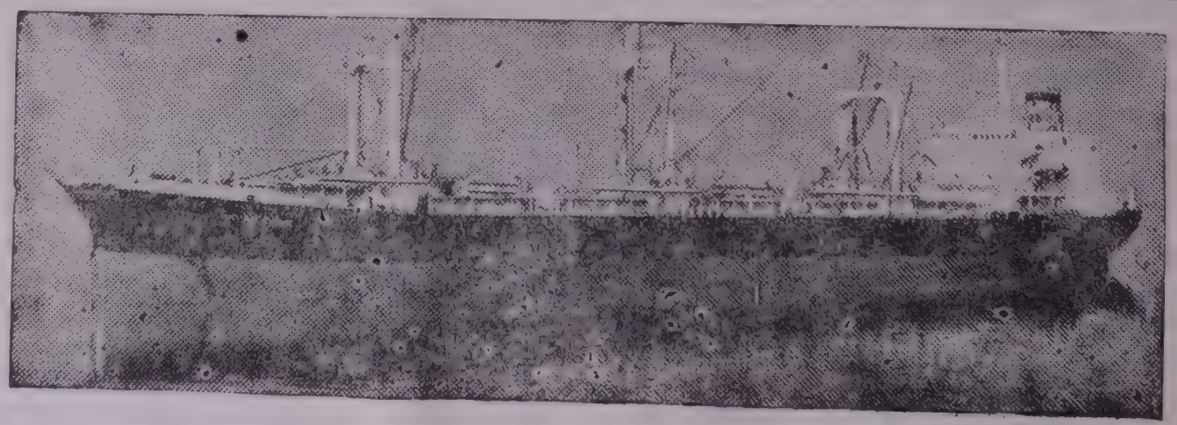
"The principles of ministerial responsibility and of the collective responsibility of the cabinet must be adhered to and the murders should not be buried by being attributed to a few 'overzealous officials'."

These crimes were not committed against political leaders such as Mr Desai, Mr Raj Narain or Mr Shanti Bhushan. These individuals are free to forget and forgive harm done to them personally. But we cannot praise them for their political magnanimity when they want to forget and forgive the crimes committed against the nation. No wonder the Janata party suffered so many reverses in West Bengal in the June election for the assembly after the astounding victories in the Lok Sabha election earlier in March. The verdict of the people at least in West Bengal is clear. We, in West Bengal, cannot forget the cold-blooded murder of a popular leader like Hemanta Basu nor can we forgive the criminals responsible for the political killings in prisons and on the streets and other atrocities against the people which even predated the emergency.

Upendra Nath Roy

P. O. Matelli

Distt. Jalpaiguri (W.B.)



FOREVER AT THE SERVICE OF OUR COUNTRY AT HOME & ABROAD



Services :
INDIA—U. K. & THE CONTINENT
INDIA/BANGLADESH
INDIA—BLACK SEA & E. MEDITERRANEAN PORTS.
INDIA—POLAND AND INDIAN COAST

INDIA STEAMSHIP CO., LTD.

"INDIA STEAMSHIP HOUSE", 21, OLD COURT HOUSE ST., CALCUTTA-1.

COMPANY AFFAIRS

Gwalior Rayon

THE GWALIOR Rayon Silk Manufacturing (Weaving) Co has reported an all-round improvement in its working during the year ended March, 1977. Production, sales, profits and margins all are substantially higher than in the previous year. These results have been achieved by maintaining the prices of staple fibre for over three years, despite continuous cost escalation. An equity dividend of 17.5 per cent has been declared on the enlarged capital resulting from the one-for-two bonus issue made during the year, against 20 per cent paid for the previous year. Dividends are covered more than three and a half times by the year's earnings.

The turnover has risen by 25.2 per cent from Rs 147 crores in 1975-76 to Rs 184.10 crores in 1976-77 with the gross profit rising by 58 per cent from Rs 21.83 crores to Rs 34.58 crores, the ratio of gross profit to turnover has improved from 14.9 per cent to 18.2 per cent. After providing Rs 5.92 crores (Rs 5.49 crores) for depreciation and investment allowance and Rs 17.33 crores (Rs 9.93 crores) for taxation, the net profit works out at Rs 11.33 crores (Rs 6.41 crores). Equity dividends will absorb Rs 2.77 crores (Rs 2.11 crores) and preference dividends Rs 32.40 lakhs (same).

The production of staple fibre increased from 63,500 tonnes to 76,600 tonnes (equivalent to about 5 lakhs bales of cotton). Since cotton is in great scarcity and this situation is likely to continue, the production of staple fibre has been of great help in augmenting the raw material availability to the textile industry. The production of rayon grade pulp also increased from 88,600 tonnes to 1,07,000 tonnes. There was also a substantial increase in the production of textile goods both at the Gwalior and Bhiwani units. Mr Aditya V. Birla pointed out that the price of the company's staple fibre was about 30 per cent, lower than the c.i.f. price of imported fibre. For rayon pulp also, the company's price was Rs 4,500 per tonne ex-works against the cost of the imported pulp of Rs 6,000 to Rs 6,200 per tonne. The maintenance of the prices of its products had been possible by continuous efforts in exercising strict control over costs and overheads and by further achieving better efficiency.

Foreign Exchange Saving

The company's rayon grade pulp plants at Harihar and Mavoor supplied about 28,000 tonnes of pulp to the rayon filament industry against 12,200 tonnes in the previous year, thereby saving foreign exchange of over Rs 11 crores. The staple fibre production of 76,600 tonnes had saved the country foreign exchange of about Rs 83 crores. The grasilene fibre plant has already commenced production. It has an installed capacity of 24 tonnes per day. Initially it will produce about 12 tonnes a day.

South India Viscose

Mr R. Venkataswamy Naidu, chairman, South India Viscose Ltd told the shareholders of the company at the annual general meeting held recently that the promoters and pioneers of the company had foreseen the need to base the industry in the rural areas and had established the factory in a small unknown village of Sirumugai, nearly 30 miles from Coimbatore. This unit has given prosperity to the area. The company has been supplying drinking water from the plant premises by lorries to residents in 15 villages around the factory.

Increase in Production

When there was a shortage of staple fibre in the country, the company was asked to increase the production of staple fibre, stated Mr Naidu, and the government issued the company an industrial licence for expansion of staple fibre capacity from 4,000 tons to 11,000 tons per year. This expansion project of staple fibre came into existence during December 1973. The union government also allowed the company to expand its dissolving wood pulp plant from 21,600 tons to 42,000 tons per year. This expansion was in progress, added Mr Naidu. The entire expansion to 42,000 tonnes per year is likely to be completed by the end of this year. For this expansion, the company will be utilising, in addition to wattle wood and bluegum, hybrid variety of eucalyptus trees grown in plains. Mr Naidu added that this was a great success.

The company is also going in for polynosic staple fibre which is a very sophisticated fibre to serve as a substitute product of imported long staple cotton. In this connection Mr Naidu indicated, the company has been issued an industrial licence for the production of 7,000 tons per year of polynosic staple fibre.

Madras Aluminium

The profit before depreciation of Madras Aluminium Co Ltd has tripled when compared to the previous year, though the turnover was only about one and a half times that of the previous year. This was stated by Mr R. Venkataswamy Naidu, managing director, while addressing the annual general meeting of the company held recently. The company had to export about 2,000 tonnes of metal below cost in order to liquidate stocks. Considering the conditions that prevailed in the aluminium market, the clearance of over 20,000 tonnes of metal by the producers during the year and the realisation of over Rs 15 crores should be considered an achievement, he added.

He stressed that only a continued supply of power for full utilisation of the capacity and a diversification into manufacture of sheets and extrusions will pull the company out of its difficulties. He felt that the government was fully seized of the matter and it would take necessary steps so that the aluminium industry in the country was not seriously affected by frequent power cuts. He added that given continuous supply of the entire sanctioned power throughout the year, the company would be able to make substantial profits not only to provide adequate depreciation but also

start paying arrears of dividend to preference shareholders.

Goodyear

Mr N. F. Cope, managing director, Goodyear India Ltd. stated at the annual general meeting held recently that the production of car, truck, tractors and ADV tyres in 1976 at 4.35 million units was lower than in 1975 or 1974, and the estimate for 1977 was no more than 4.5 million. On the other hand, installed productive capacity of the industry at the end of 1976, was 5.65 million tyres, an excess of 1.3 million. On top of this, two new manufacturers commenced commercial production at the end of 1976 with combined installed capacities of a further 1.0 million tyres and a third new unit is expected to start up later this year with 500,000 capacity, for a total of 7.15 million by the year end, or an estimated excess over market of some 2.65 million tyres. The demand recession in the tyre market was mainly attributable to the depressed condition of the road transport industry.

Excise Relief

About the excise relief scheme covering various products including tyres and tubes, under which clearance' of qualified product in excess of a 'base year clearance, would receive a 25 per cent reduction to the prevailing excise duty, Mr Cope pointed that there would be two unfortunate effects on the tyre industry, the relief of 25 per cent of the excise duty on tyres and tubes, which at 55 per cent is the highest of any product covered, provides those fortunate enough to qualify for this relief with a significant price advantage which, in view of the unquestionable excess capacity, will unfortunately be used to acquire market share from the established companies who are unable to qualify, due to efficient production in the base years and the lack of a fortuitously timed expansion. Secondly those who can qualify for this retief are encouraged further expand their production by any means, in order to reap the maximum advantage, to the detriment of the rest of the industry, who be faced with production cutbacks and worker layoffs. This we do not believe to be in the national interest.

Hindustan Petroleum Corporation

Hindustan Petroleum Corporation Ltd, (HP) acquired the remaining 26 per cent holding of Exxon in October 1976 has become a wholly owned government of India enterprise. Crude throughputs were at the level of 2.82 million tonnes. 175,000 tonnes of low sulphur heavy stock from Koyali was reprocessed as against 94,000 tonnes in 1975. Increased processing of LSHS helped the country in producing larger quantities of middle distillates and thus save Rs 1 crore in foreign exchange. Lube refinery improved its performance over the previous year by manufactuting 169,000 tonnes of lubricating oils, transformer oil, and base stocks as against 150,000 tonnes in 1975.

Turnover of the company was Rs 529 crores as against Rs 459 crores in the previous year. Net profit was Rs 3.17 crores. Operating expenses were kept down to the minimum. The government of India has entrusted HP with the responsibility of constructing additional crude tankage at Bombay. This project is estimated to cost around Rs 8 crores and will be completed during 1978-79.

Jay Shree Tea

The directors of Jay Shree Tea and Industries Ltd have reported an outstanding performance of the company during the year ended March 31, 1977. The gross profit of Rs 5.18 crores surpassed all previous results. After making a provision of Rs 71.35 lakhs for depreciation, Rs 2.08 lakhs for development allowance reserve, Rs 3.75 lakhs for investment allowance reserve and Rs 2.85 crores for taxation, there was a net profit of Rs 1.56 crores. The directors have recommended the payment of a dividend of Rs 1.60 per equity share, including bonus shares, which will absorb Rs 43.73 lakhs. A sum of Rs 1.12 crores has been transferred to general reserve.

The tea estates of the company this year produced a higher tea crop by approximately 7.50 laka kgs compared to 1975-76. Sholayar & Kallyar Estates of the company in Tamil Nadu have secured the Tea Board awards for highest yields per hectare for many years for their zone and twice also the All India Awards. This year, along with a significant improvement in quality, they have been able to achieve a higher record yield of 2842 kgs per hectare for both the estates taken together, with one of the top sections yielding 4350 kgs per hectare. During the year under review, there was significant improvement in the prices of almost all types of teas. Several Tea Board Awards for 1975 for highest prices and highest yields were secured by the company's estates. Overall performance of both the plywood units at Mariani & Andamans this year was better than last year.

There was an improvement in the output of fertilisers and sulphuric acid at the Jai Shree Chemicals and Fertiliser unit. As approved by the shareholders, the company has taken on leave and licence, the cycle tyres and tubes unit of M/s Universal Tyres Ltd situated at Naini, Allahabad with effect from Feb 1, 1977. After necessary repairs and initial trials, the factory has recently gone into single shift production and it is proposed to increase the production gradually. The company has also entered the shipping business and has gone ahead with acquisition of two ships in the current year. Memorandum of agreements for these second-hand foreign ships each of 16,000 DWT has been concluded and necessary applications for the approval of the government for these acquisitions and financing thereof have been made. The total cost of these two ships will be around Rs 7.50 crores.

Britannia Biscuit

For the Britannia Bisuit Co., the year 1976-77 was the best in its history. What is more, the company expects that 1977-78 will be a year of sustained progress. Sales increased from Rs 38.87 crores in 1975-76 to Rs 44.13 crores in 1976-77 and the gross profit from Rs 3.94 crores to Rs 5.13 crores. After providing Rs 58.12 lakhs (Rs 45.75 lakhs) for depreciation and Rs 284 lakhs (Rs 230 lakhs) for taxation and after making some adjustments, the disposable surplus is Rs 174.38 lakhs (Rs 122.02 lakhs). Total equity dividend is 15 per cent on the higher capital, against 12 per cent for the previous year. Equity and preference dividends will absorb Rs 67.75 lakhs (Rs 54.20 lakhs). Gene

l reserve gets Rs 106.64 lakhs
s 67.82 lakhs). Exports
se by 58 per cent to Rs 3.97
ores. Foreign equity is be-
g diluted to 40 per cent. For
is, 1,800,000 new equity
ares of Rs 10 each at a pre-
ium of Rs 5 per share will
e issued to the Indian nation-
s. . The company has sub-
itted three proposals for
versification to the govern-
ent.

ndian Hotels

Mr J.R.D. Tata, chairman
The Indibn Hotels Co Ltd,
as stated that the company
ith its excellent facilities and
rong technical and managerial
frastructure, was eminently
ell suited to taking full advan-
ge of the opportunities offered
the continuous growth in the
orld demand for specialised
roducts and services of the
otel and catering industries.
he extremely high rate of
ccupancy achieved in Taj and
aj Intercontinental in Bombay
uring 1976-77 at times exceed-
g 100 per cent of capacity—
ade it necessary for the com-
ny to look to other avenues
expansion, such as flight
tchen at Santa Cruz and fur-
er development of the exist-
g chain of hotels in India
d abroad. When the new
tel being set up at Delhi in
llaboration with the New
lhi Municipal Committee
gins operation in mid-1978,
will fill an important gap in
Taj chain and greatly
engthen its all-India image,
pointed out.

heels India

Mr T. S. Santhanam, chair-
n, Wheels India Ltd stated
the annual general meeting
the company held recently
t through proper develop-
nt of roads and the road
nsport industry, it was
sible to link the villages in
country. The employment potential was as high as 22 persons for each truck. Road transport was a small-scale service industry on wheels as 98 per cent of the operators were those owning one to three vehicles only. Road transport deserves every encouragement from the union and state governments to serve the economy of our country, he added. Urgent measures were necessary for giving relief to goods transport and passenger transport industries. There was a heavy incidence of taxes, both at the centre and the states, on commercial vehicles. Nearly one half of the cost of a commercial vehicle was made up of governmental levies. The cost of operating a vehicle also had gone up due to the high rate of inflation witnessed during 1973-74 and 1976-77.

Corporation Bank

The Corporation Bank Limited has recorded substantial growth during the year ended December 31, 1976. Deposits crossed the Rs 100 crores mark and stood at Rs 102.53 crores registering a growth rate of 31.6 per cent over 1975. In the year 1976, the bank mobilised about Rs 25 crores in a single year a feat which had earlier taken 65 years to achieve. Advances also increased to Rs 64.62 crores, registering a growth rate of 41.6 per cent over 1975. Gross earnings were at Rs 9.88 crores for 1976 as against Rs 8.11 crores in 1975; yielding a net profit of Rs 18.51 lakhs in 1976 as compared to Rs 11.91 lakhs for the preceding year. Speaking of the bank's progress at the annual general body meeting held at Udupi recently Mr N.N. Pai, chairman, stated that the bank had opened 33 new branches in the year 1976 and it proposes to add 60 more branches in the current year. The bank's investment in government and other approved securities increased from Rs 17.52 crores (in 1975) to Rs 23.64 crores in 1976. Dividends proposed on ordinary shares for the year 1976 was at 15 per cent as against 12 per cent for the past three years. On preference shares also dividends proposed were at the increased rates of 8.50 per cent (6.43 per cent for 1975, and 9 per cent (7.15 for 1975).

ITC Ltd

ITC Ltd. has maintained the equity dividend at 15 per cent for the year ended March 1977. Besides, the shareholders have been rewarded with a bonus issue in the ratio of one new share for every five shares, held which will mean capitalisation of Rs 3.79 crores from the reserves. According to a brief priliminary statement, the company has earned a higher net profit of Rs 3.94 crores during 1976-77 against Rs 3.81 crores in the previous year, after providing Rs 4.79 crores against Rs 5 62 crores for taxation. After adjustments, a sum of Rs 1.05 crores (Rs 87.15 lakhs) has been transferred to general reserve.

Lucas-TVS

Lucas-TVS Limited, Madras has been adjudged the best promoter of ancillary industries and has won the annual award instituted for the first time by the Associated Chambers of Commerce and Industry of India (ASSOCHAM) for 1976. The company, engaged in the manufacture of automobile electrical equipment, embarked on a massive indigenous development programme, and in the process, has helped over 200 self-employed entrepreneurs to develop their own units and grow with the company. The company has progressively expanded its sub-contract activities, and as a part of this development programme, it provides assistance to several ancillary units.

News and Notes

Indo-Swiss Time Ltd is setting up a watch factory in village Dundahera, Gurgaon, Haryana, in technical collaboration with a leading Swiss manufacturer, Ronda Sa. The company expects to receive its assembly from Switzerland and plans to market its products shortly. Promoted by a non-resident Indian, Mr Prem Gupta, the unit will import 400,000 movements in CKD condition in the first year. Besides this, in pursuance of the government's crash programme for watch manufacture, it proposes to manufacture 200,000 pieces in 1978 with an imported content of 41.36 per cent.

Ajanta Tubes Ltd is shortly entering the capital market to raise Rs 1.02 crores from the public by issuing 720,000 equity shares of Rs 10 each and 30,000 (11 per cent) redeemable cumulative preference shares of Rs 100 each. The public issue is fully underwritten. Equity shares worth Rs 48 lakhs have already been taken up by the promoter, Dr R.N. Jain, of the Jain Tube Co and friends. The company, situated on the Hapur road, Ghaziabad has completed the first phase of its plan to manufacture steel pipes and tubes of 15 mm to 75 mm diameter in April 1975. The main plant and machinery for the second phase, which involves the manufacture of pipes of 100 mm and above diameter, has already been installed.

ABS Plastics entered the capital market on July 11, with 1.12 million equity shares of

Rs 10 each at par. The proceeds will be utilised for financing partly the company's Rs 4.25 crore project being set up at Baroda (Gujarat) for manufacturing annually 2,000 tonnes of ABS resins. The basic technical know-how for the project has been developed by the Shriram Institute for Industrial Research and is being made available to the company through the National Research and Development Corporation of India, New Delhi. These resins to be manufactured for the first time in India have very desirable combination of propertiss and can be put to many uses, both for civic and defence purposes.

Capital and Bonus Issues

Consent has been granted to the following companies to raise capital.

The Savamalai Estates Limited, has been accorded consent, valid for six months to capitalise Rs 515,784 out of its general reserve and issue fully paid equity shares of Rs 2 each as bonus shares in the ratio of one bonus share for two equity shares held.

Greaves Foseco Limited, Bombay, has been accorded consent valid for six months, to capitalise Rs 2,438,400 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for five equity shares held.

Kothari (Madras) Limited, a public company having a paid - up capital of Rs 35,014,995 has been accorded consent to issue further capital of Rs 5 million in equity shares of Rs 10 for cash at par, to the persons other than existing shareholders of the company by private allotment. The proceeds will be utilised for financing a part of the cost of the project for the manufacturer of caustic soda and ammonium chloride. The consent order is valid for 18 months only.

The Sagar Textile Mills Private Limited, Ahmedabad, has been accorded consent, valid for six months to capitalise an amount of Rs 550,000 and issue 5,500 fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Form II A
See Rule 4 A (1)

Form of General Notice to be given to the Members of the Public before making an application to the Central Government under Sub Section (2) of Section 22 of the MRTP Act. 1969.

It is hereby notified for the information of the public that Modipon Limited, Modinagar (UP) is making an application to the Central Government in the Department of Company Affairs, New Delhi under Sub Section (2) of Section 22 of the MRTP Act, 1969 for approval for the establishment of a new undertaking for the production, supply, distribution or control of :

S. No.	Name of the Product	Proposed Installed Capacity Tonnes/Annum	Estimated Production. Tonnes/Annum.
1.	Edible Soya Flour.	45000	45000
2.	Soya Textured Protein	30000	30000
3.	Soya Protein Isolates and concentrates (in terms of Soya Contents only).	3000	3000
4.	Soyabean Oil (By-Product)	16450	16450

Other particulars of the proposed new undertaking are as under:

1. Name of the proposed undertaking.
2. Name(s) of person(s) or authority (ies) proposing to establish the new undertaking. Where it is a body corporate furnish details of its management structure together with those of proposed undertaking.

MODI FOODS LIMITED
Modipon Limited is managed by Managing Directors under the supervision, control and guidance of the Board of Directors. The proposed undertaking will also be managed by the Managing Directors under the Supervision, control and guidance of the Board of Directors.

3. Capital structure of the applicant person or authority and of the proposed undertaking.

	MODIPON LIMITED	MODI FOODS LIMITED
	(29.2.1976)	PROPOSED
Share Capital :	*Rs. 14,03,17,060.00	Rs. 1,50,00,000.00
Loan Capital :	Rs. 6,12,26,671.00	Rs. 3,00,00,000.00
Total :	Rs. 20,15,43,731.00	Rs. 4,50,00,000.00

*(includes Reserves and Surplus).

4. Proposed location of the new undertaking. — At suitable location in Madhya Pradesh.
5. Brief Outline of the cost of the project, the scheme and source of finance. — The estimated cost of the project will be about Rs. 4.50 crores which will be financed by issue of fresh capital and long term loans from financial institutions.

Any person interested in the matter may make a representation to the: Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi within 14 days from the date of publication of this notice informing his views on the proposal and indicating the nature of his interest therein.

Dated : 5th day of July, 1977.

M. K. MODI
VICE PRESIDENT AND
MANAGING DIRECTOR

E.I.D.—Parry (India) Limited

ADDRESS BY

Mr. R. Venkataswamy Naidu, Chairman

TO THE SHAREHOLDERS

e Second Annual General Meeting of the Company was held on the 7th July 77. Presiding over the meeting the Chairman, Mr. R. Venkataswamy Naidu de the following statement to the Shareholders.

lies and Gentlemen,

t gives me great pleasure to come you all to the Second nual General Meeting of the mpany, which for the con-ience of shareholders. is ng held at a place outside 'Dare House' complex. I et that we have had to tpone the Annual General eting by about a week or consequent upon the strike ur printer's factory, which l up completion of the prin- of our Annual Report and ounts: the postponement , of course, with the ap-val of the Registrar of mpanies, Madras.

t the outset, I would like ake this opportunity of wel-ning the newly formed vernment by the Janata ty, at the Centre at Delhi, the Tamil Nadu Govern-t, formed by the AIADMK y. It is needless for me recount the historic poli- changes that have taken e in the last two to three ths, which have proved to world, that we are a mature ocracy. I am sure that the tral Government will be to provide practical and ane solutions to our eco-ic and other problems. I both the Central Govern-t and the Tamil Nadu ernment, all success in their avours.

ne story of the transfor-on of the Sterling Com-. EID-Party Limited, into an Indian Company which process was completed on 18th June, 1976, has been related to the shareholders on more than one occasion. Suffice it to say that the Directors' Report and Accounts have been issued by the Indian Company incorporating results of the first year of their trading, viz., the year ended 31st December, 1976.

The Annual Report and Accounts for the year ended 31st December, 1976 have been with you for the statutory period and, with your leave, I shall take them as read.

Group Results :

I can well visualise the disappointment of the shareholders with the results for the year under review, which is the first year of operations of the Indian Company. I would, however, hasten to add that the year that has gone by, was one of the most difficult we have faced in the recent past and the adverse results reported have been due to reasons beyond the control of your Directors. The various difficulties that plagued us were reported to the shareholders in the interim report issued in October 1976. All the adverse factors had a highly depressing effect on our results for the year which ended up with a loss of Rs 195.90 lakhs which after taking one-thi d of the Voluntary Retirement Compensation payments—a scheme to provide compensation for certain staff and labour, who retired voluntarily under a scheme announced by the Company—amounted to Rs 206.75 lakhs.

Shareholders may be aware that for consideration of dividends out of future profits, past losses at least to the extent of depreciation included in it have to be fully provided for. Your Directors have, therefore, decided to withdraw Rs 109.60 lakhs from General Reserve, of which Rs 98.74 lakhs has been set off towards the depreciation content of the loss for 1976 and Rs 10.85 lakhs for meeting the payment towards one-third of Voluntary Retirement Compensation liability.

As has been explained in detail in the Directors' Report, the activities of our Sugar and Fertiliser Divisions were subject to a number of problems.

Sugar mills in Tamil Nadu were faced with the problem of paucity of cane supplies owing to drought. Uneconomic statutory prices for cane acted as a deterrent to even available cane supplies reaching sugar mills in many cases. In the event, Nellikuppam crushed, during the year, 3.84 lakhs tonnes of cane against 5.85 lakhs tonnes in 1975. Recovery was, however, slightly higher at 7.74 per cent compared to 7.62 per cent in 1975.

High costs of fertilisers—particularly phosphatic fertilisers which form a good part of your Company's sales—low produce prices and a sense of insecurity among the trade in a falling market, upset the demand—supply relationship, causing large inventories with manufacturers/marketers. Anxiety to off-load these stocks led to severe competition and eroding margins. As a result of these factors, our profit margins suffered reduction; this was further accentuated by our having to absorb losses on account of price reduction announced by Government, on field stocks held by us and by our having to incur additional transport and carrying costs, for marketing fertilisers in non-traditional areas, due to adverse seasonal conditions in our regular marketing area.

Ceramics Division had a good year in respect of production and sales

On the exports side, marine products showed progress, and Parryware did well. However, export of ready-made garments suffered a set-back.

Sugar :

With the change over of the financial year to the calendar year, we now have parts of two sugar years in our accounts.

As I have mentioned earlier, crush was low in 1976 owing to inadequacy of cane, as a result of uufavourable seasonal conditions and unattractive statutory prices for cane. Statutory price for Nellikuppam for January/March and September 1976 crush (1975-76 season) was Rs 88 per tonne. Along with many other sugar mills, we paid, at the instance of the State Government an additional cane price—Rs 15 per tonne in our case. The statutory price for 1976-77 (October/December 1976) has been fixed at Rs 85 per tonne.

Government of India continued the policy of partial decontrol taking over 65 per cent of production. Levy sugar price continue to be much lower than what should be paid on the basis of current lower recovery trends and de-

pressed prices for free market sugar.

Government pricing policies have thus not been helpful both to the grower and the sugar mills especially in South India. The procedure adopted by the Government of India from July 1975 for fixation of the price of levy sugar has been such as to take away the benefit that would have otherwise accrued to the sugarcane grower and the mills through better realisation on the sales of free market sugar. It is hoped that realistic prices for cane and levy sugar will be fixed on the basis of a report that has been submitted by the Bureau of Industrial Costs and Prices of the Government of India. Government decision on the recommendations of the Bureau of Industrial Costs and Prices is anxiously awaited.

Plantings in 1976 for 1977 crush were better and would provide over 5 lakhs tonnes of cane. Cane development work with new high sugar yielding varieties progressed satisfactorily.

Spirit & Carbonic Acid Gas :

During 1976 production of spirit and CO_2 was restricted due to limited availability of molasses in the state. However, with a better crush during 1976-77 season the position is expected to improve in 1977.

Fertilisers :

As in 1975, market conditions in 1976 were again one of easy availability of products. The effect of price reduction supported by Government subsidy were meant for revival of the primary demand for phosphatics but factors like credit constraint and unfavourable seasonal conditions inhibited this revival to some extent.

The South-West monsoon did not benefit important consumption areas in Tamil Nadu and Karnataka; the North-East monsoon, accompanied by cyclones, caused breaches in Godavari and wide-spread damage to crops in coastal areas of Andhra Pradesh.

In the face of these difficult conditions, a sales volume representing a 10 per cent increase over 1975 was achieved through aggressive sales measures in an effort to contain mounting inventories. Margins were naturally affected owing to severe competition and due to increased distribution costs of marketing in non-traditional areas.

Following expansion of production facilities in the plant at Vizag, additional volume was made available by Coromandel Fertilisers Limited and its disposal reflected a 36 per cent increase over the previous year. All available Urea from Madras Fertilisers Limited was marketed but sales of Complex Fertilisers were lower than the previous year owing to adverse seasonal factors in the concerned marketing areas.

Here I wish to express my appreciation of the timely and unfailing assistance and support from our Principals.

Pesticides:

Even though intense competition prevailed also in respect of Pesticides, owing to shrinkage of demand caused by poor seasonal conditions and uneconomical produce prices, it was possible to establish a volume increase over the previous year in the sales of dust and liquid formulations, through intensified promotion and distribution measures.

Hybrid Seeds :

A change in cropping pattern severely affected sales of Hybrid Millet seeds, chiefly the bajra varieties. Further the low produce prices for other millets as well as for paddy reduced sales realisations. Sales, however, were higher than the previous year.

During the year, we extended the market for our Hybrid Seeds which have acquired a distinct brand preference on account of their genetic purity and high germination properties. This provides us a good base for expanding our production capacity and diversifying the seed varieties in the future.

Animal Feeds:

With the commencement of production at the third Unit at Mysore late in the year, sales of Animal Feeds registered an increase over the previous year and but for the low prices of ingredients which encouraged home-mixing by breeders, a still higher level of sales could have been registered. Margins were, however, affected due to falling prices.

Efforts made during the year to extend the primary demand for compounded feeds can be expected to yield results in the coming months in the shape of increased brand preference for our products which have come to be respected for their quality.

Chemicals:

Production and sales of Chemicals including those made available under a new arrangement by Herdillia Chemicals Limited were maintained at satisfactory levels.

Ennore:

In my address to you last year, I had mentioned that due to several factors, predominantly, the price fluctuations, distribution controls, credit constraints and unfavourable seasonal conditions, the inventory levels of fertilisers increased considerably. As stated earlier a similar position continued in 1976 as well and the reasons therefor and the steps taken to minimise its impact are highlighted in the subsequent paragraphs.

There was a steep increase in the price of fertilisers, consequent upon increases in the prices of the inputs, viz., rock phosphate and sulphur in early 1975, resulting in a considerable decrease in the demand of the grade of fertilisers which we manufacture at Ennore. Furthermore, the position was aggravated by the failure of monsoon in Tamil Nadu in 1975-76 adversely affecting the off-take of fertilisers. It was against this background that it was decided to manufacture a cheaper grade of fertilisers in the trade name of Paramtops after a full technical appraisal of the various possibilities for the manufacture of a low priced grade top-dresser fertiliser, which can conveniently be fitted within the basic design of the Plant and can be produced utilising the existing equipments. The production of Paramtops was commenced around December 1975, and was designed to meet the peak demand for top-dressing fertilisers in January-February 1976, in anticipation of the approval of the Central Government for its marketing around the same time. Unfortunately the approval from the Central Government could only be received in February 1976 with the result that the big demand season for the fertiliser was missed and a large stock of Paramtops started accumulating in the factory godown and the entire stock was cleared in October 1976. In this context, I am glad to say that the inventory level of stocks of fertiliser at the end of 1976 was rather satisfactory.

Ceramics :

The Ceramics Unit at Ranipet has met all expectations and is performing very creditably. Sales of Parryware have reached an all time high.

Anticipating the demand in growth of Sanitaryware, your Directors took steps to expand the Unit at Ranipet. The phased process of modernisation which was taken in hand in 1973, has been completed with the addition of a new casting shop which was constructed in a record time of six months. With the completion of the new casting shop, bottlenecks to enhanced production in sanitaryware have been removed. The benefits of expansion, along with improvements in design are now evident in the operational efficiency and profitability through better utilisation of raw materials, equipment and manpower. The licensed capacity of 4,92 tonnes is expected to be reached by the end of this year.

It is gratifying to observe that sales are almost in line with production, which has helped in keeping inventories at a low level. Marketing arrangements have also been streamlined to absorb the additional production which will be coming out by the end of the year.

Parryware continues to enjo

ery good brand image and been accepted as a quality duct, not only in the inter- markets, but also in the ort markets.

Despite the recession in the lding industry in the country, es were maintained at a isfactory level and have ex- ded those of last year.

ports :

Our Marine Exports conti- ed to grow and during 1976 ched a figure of Rs. 250 hs. This was made possible cause in addition to the ex- rt of our own catch, we ported the products of a few ect processors operating in adras, Cochin, Mangalore d Bombay.

In order to gain experience fishing operation and to ild up the necessary infra- ucture by the time our exican trawlers arrive, we erated two trawlers on char- and the results achieved ve been, subject to seasonal ctuations, encouraging.

The two Mexican trawlers dered by us are scheduled to delivered in Mexico early ly and are expected to arrive India by September and be ailable for operation in the t quarter of the current finan- l year.

Exports of readymade gar- nts suffered a set-back last ar due to the difficult market nditions in the United States d also due to the imposition quota restrictions by the EC countries. As there are gns of improvement of the arket, it is hoped that our ports in this line will pick up ortly. Possibilities of exports other products are conti- ously being explored.

There has been a substantial crease in our export of Par- ware which are available in ost of the markets in the iddle East, Gulf countries, frica, Pakistan and Bangla esh. Repeat orders are being gularly received and fullest vantage is being taken of the ilding activity in these coun- es.

tlook for 1977 and Develop- nt :

Your Board are quite cons- us of the fact that the share- lders would naturally be anxious to know how we are performing during the current year running.

Whilst it is extremely difficult to predict with any certainty the results for the year 1977, it is hoped that, barring unforeseen circumstances, we should do considerably better this year. As a substantial part of our profits accrues only in the second-half of the year, a closer estimate will be available in the last quarter of the year.

We expect to crush over five lakh tonnes of cane in 1977. Plantings for 1978 crush, when the effect of expansion of the Nellikuppam factory is expected to be fully felt, have also been good and we hope to have over six lakh tonnes of cane available.

As the purpose of expansion is to confine the crush to a period of optimum recovery, planting of early maturing and high sugar yielding varieties is being encouraged. Our Cane Department, together with State and Central Government research stations, is introducing new varieties of cane showing promise of higher sugar yields with early maturing qualities. This will ensure availability in a staggered manner during the optimum crushing season, of mature cane of right age.

The effect of the first phase of expansion has already been felt in the 1977 crush so far, with an increase in average daily crush and lowering of total losses. Due to certain unforeseen circumstances, work on the second phase of expansion to 4,000 tonnes daily crush has been somewhat delayed. The benefits of this expansion on completion, coupled with the cane development work, will be felt in the financial year 1978.

With a further lowering in the price of fertilisers, particularly phosphates, the cost-benefit ratio for the application of fertilisers is becoming once more favourable, and the hope of a normal monsoon and improved produce prices are additional factors that may aid improve the performance of fertiliser and allied products of the Company.

An agreement has now been entered into by us with Messrs. Haldor Topsφe, Denmark, for the technical know-how for the conversion of our Ennore Ammonia Plant for the production of Methanol. This Agreement is awaiting the final ratification by the Government of India.

The Sodium Tripolyphosphate Project is also being pursued.

The Company obtained a Letter of Intent from the Government of India for promoting a new venture along with Montedison of Italy for the production of 100 MT per annum of Chloramphenicol of by which 50 per cent will be usable the new Company for formulations.

As a result of research and development, new and improved designs of Sanitaryware would be in production before the end of the year.

A Letter of Intent has been received for a Tool Room Project to be located in Karnataka. The Tool Room, apart from catering to the requirements of Amphetronix Limited, will go a long way in meeting the exacting demand for high precision and sophisticated tooling for the electronic industry in particular, which is growing at a rapid rate, as well as for the plastic, rubber and other allied industries.

Industrial Relations :

In broad terms, Industrial Relations were satisfactory during the period under review.

Wherever possible, Incentive Schemes have been drawn up with the Labour/Non-Covenanted Staff at the factories in the common interest of both the workmen and the Management for more production. The accent on Workers Education continues unabated.

It is a matter of satisfaction to all concerned that the new Central Ministry is evolving the concept of tripartite discussions at the top level to obtain consensus on long range issues affecting Industrial Relations. It is refreshing to note that bipartitism would still remain and the Government will examine and try to identify the areas where bipartitism has a significant role to play. The idea of taking a fresh look at industrial relations and bringing about suitable modified legislation is to be welcomed.

In the difficult year we have passed through, our employees have stood by us and have exhibited a keen sense of devotion to duty. This, I am sure, is as a result of their loyalty and sense of participation in the working of the Group. I would like to take this opportunity to record on behalf of myself and my colleagues on the Board, our appreciation.

I have no doubt that better days are ahead and all of us, as members of this great family will walk hand in hand in the path of prosperity.

N.B.: This does not purport to be a report of the proceedings of the General Meeting.

NOTICE

THE GWALIOR RAYON SILK MFG. (WVG.) CO. LTD.

Regd. Office :
BIRLAGRAM, NAGDA (M.P.)

Notice is hereby given that the Registers of Members and Transfer Books of the Equity and Preference Shares Series 'A' & 'C' will remain closed from Friday the 5th August 1977 to Friday the 2nd September, 1977 (both days inclusive) for the purposes of payment of dividend on 1,58,40,000 Equity Shares and 1,48,275 Preference Shares Series 'A' and 2,00,000 Preference Shares Series 'C' in the Company.

The dividend on Equity and Preference Shares Series 'A' and 'C' when sanctioned by the Shareholders will be made payable to those Shareholders, whose names stand on the Registers of Members of the Company as on 2nd September, 1977 as under :

(i) Dividend on Preference Shares Series 'A' & 'C' on or after 9th September, 1977.

(ii) Dividend on Equity Shares on or after 17th September, 1977.

BY ORDER OF THE BOARD
B. N. PURANMALKA
SECRETARY

Birlagram, Nagda
Dated: 8th July, 1977

ARDC's performance and perspective

Encouraged by its performance, both financial and accounting, during 1976-77, the Agricultural Refinance and Development Corporation (ARDC) has drawn up a new perspective programme for provision of refinance facilities to the various institutions extending assistance for agricultural development to the order of Rs 1,625 crores during the five years to 1981-82. This programme has been seperately worked out for each year and for each purpose. It marks a significant improvement over the programme being implemented currently for the five-years to 1978-79. The drawing up of the new programme for three more years should help in maintaining the tempo of the activities of the corporation.

The following is the progress report of the undertaking for 1976-77.

DISBURSEMENTS BY the Agricultural Refinance and Development Corporation (ARDC) during the year ended June 30, 1977, reached a new high of Rs 221 crores, taking the aggregate disbursements since the inception of the corporation to Rs 815 crores. The other highlights of the performance of the corporation during the year are the fulfilment of the expectations budgeted for the year (the corporation had announced as early as in 1974 a programme of Rs 210 crores for 1976-77 which was later revised to Rs 220 crores) and the achievement of a more even spread of development among the different states in the country, particularly in the central, eastern and north-eastern regions.

Credit Disbursement

The ARDC was also able to complete during the year the required disbursements under the first ARC general line of credit of $75 million sanctioned by the IDA in February-March, 1975, six months ahead of the scheduled, approximately two-year period. This was in addition to the completion of six other IDA-assisted agricultural credit projects. The corporation also exceeded the target of providing at least 50 per cent of the aggregate credit to small farmers.

Particulars showing the state-wise, agency-wise and purpose-wise position of commitments and disbursement during 1976-77 and in the previous year are given in Tables I, II and III.

World Bank Programmes

Technical and financial expertise of the World Bank group continued to be available to the corporation during 1976-77. Four more credits including a second general line of credit of $200 million were negotiated during the year. The commitments of the IDA/World Bank group of resources to ARDC through government of India now amount to $800 million, representing about 50 to 60 per cent of the lending which the corporation is expected to make under these projects. The corporation has so far disbursed refinance qualifying for drawal of about $330 million.

The beginning of 1977-78 marks the commencement of the second ARDC credit. The IDA has approved a two-year programme for the ARDC with assistance to the extent of $200 million. The main features of this credit programme are:

(i) there is general recognition of the different investment programmes of the ARDC as part of the process of economic development in the country;

(ii) this credit well be a continuation of an earlier credit to ARDC comprising three components, viz, minor irrigation, diversified purposes and training for participants in the programme;

Agricultural Credit

(iii) economic benefits will accrue to nearly one million farmers and, as in the previous credit, the objective will be to ensure that at least 50 per cent of the credit is provided to the small farmers.

(iv) undertaking of obligations for monitoring and evaluation of the programmes; and

(v) undertaking of certain basic studies which would facilitate the formulation of proposals for a third general line of credit.

For its review purposes, the ARDC has categorised as less-developed or underbanked, th states of Jammu and Kashmi Himachal Pradesh and Raja than in the northern regio and all the states in the centra eastern and north-eastern re gions. The share of these state in the refinance availed of fro the ARDC has been showing continuous increase and as a the end of June, 1977, accoun for over 30 per cent of th total disbursements.

Significant Rise

There has also been a sign ficant rise in the commitmen made by the ARDC during th year in all the less-developed under-banked states compare to the commitments during th previous year (except Raja than, Manipur and Utt Pradesh). For the fourth ye in succession Uttar Prade leads in the availment of r finance from the ARDC with total refinance of Rs 37 cro for the year. Disbursemen in Bihar amounted to Rs crores, Rajasthan Rs 8 cro and West Bengal and Oris Rs 6 crores each. The relati share of the less-developed a under-banked areas in assistance provided by ARDC is indicated in Table

Even within the same sta imbalances exist as betwe one region and the other. T ARDC has been making effo to reduce such intra-state balances also. Thus, und developed areas in And Pradesh, Orissa and U Pradesh have been receiv increasingly larger assista

TABLE I

Statewise Sanctions in 1975-76 and 1976-77

(Rs lakhs)

te	1975-76			1976-77*			Upto 30 June 1977*		
	No of schemes	ARDC commitment	Disbursement	No of schemes	ARDC commitment	Disbursement	No of schemes	ARDC commitment	Disbursement
1	2	3	4	5	6	7	8	9	10
Less Developed/Underbanked Areas									
Himachal Pradesh	2	24	16	13	219	3	18	277	27
Jammu & Kashmir	2	19	17	2	18	7	9	167	95
Rajasthan	57	3353	536	72	2139	801	196	8772	2349
Assam	3	90	5	12	88	70	28	437	209
Manipur	1	37	5	1	3	8	2	40	13
Meghalaya	—	—	—	3	53	—	5	59	—
Nagaland	—	—	2	1	15	4	2	45	14
Tripura	3	21	1	2	40	1	5	61	2
Bihar	36	2313	1318	100	2855	1710	194	10769	4959
Orissa	53	985	338	80	2230	562	184	5978	1037
West Bengal	31	997	159	52	1389	575	114	2855	845
Madhya Pradesh	102	1242	1932	118	2317	2615	414	12091	7104
Uttar Pradesh	108	4172	2598	269	1766	3704	625	21791	12067
Total	398	13253	6927	725	13132	10060	1796	63342	28721
Other States									
Delhi	4	46	28	—	—	10	9	140	63
Haryana	27	2097	1569	94	3130	1760	210	12265	7481
Punjab	34	3051	1306	60	1645	1727	179	10177	6783
Goa	7	36	23	6	99	19	29	181	50
Gujarat	20	364	333	88	1489	397	183	8372	5530
Maharashtra	193	3180	2248	245	2928	1933	775	13990	8770
Andhra Pradesh	91	4441	1295	122	2364	2131	413	13502	7631
Karnataka	77	1534	1946	200	3843	2211	479	12011	7696
Kerala	9	888	208	43	1276	246	142	2786	915
Pondicherry	1	19	4	—	—	—	6	53	27
Tamil Nadu	48	1582	1228	86	1035	1601	284	9041	7848
Total	511	16438	10188	944	17809	12035	2709	82518	52794
Total (A+B)	909	29691	17115	1669	30941	22095	4505	145860	81515

*Provisional

from the ARDC as can be seen from Table IV.

Land development banks as a group continued to constitute the principal customers of the corporation with commercial banks very close behind. The performance of individual land development banks provided a mixed lot, some of them improving on their performance, others maintaining the *status quo* and a few others indicating signs of decline. Uttar Pradesh, Rajasthan, West Bengal, Bihar, Madhya Pradesh and Orissa were a few of those which, on account of heavy overdues in the land development banking system, could not make much headway in agricultural investment in the past because of the linking of the recovery performance to the extent of refinance available from the corporation. As a result of positive steps taken during 1975-76, the banks in these states were able to reduce the overduces to a substantial extent and thus became eligible for large-scale refinance facilities from the corporation as indicated in table below.

To ensure consistent growth and development in the states, it is necessary that the land development banks should regularly review and watch the overdues level to be able to continue as viable financial institutions. There is no room for complacency in this regard.

Commercial banks' involvement in agricultural investment through schemes approved by the ARDC has been encouraging. Refinance availed of by commercial banks increased from Rs 71 crores in 1975-76 to Rs 93 crores in 1976-77, showing a marginal increase in the precentage to the aggregate at 42 per cent. Of this involvement, nearly 45 per cent was in respect of minor irrigation schemes particularly in areas where the cooperative structure is weak. Commercial banks have made a perceptible dent in the field of diversified lending. Particular mention should be made of the special programme sponsored by the corporation to encourage private parties to construct godowns for the use of the Food Corporation of India.

State cooperative banks can also play a useful role in term-lending. However, their share in refinance continues to be negligible. The recent effort on the part of the Orissa State Co-operative Bank to reorient its programme, policies and procedures to facilitate project-based lending is an attempt in the right direction.

Refinancing of State Land Development Banks by ARDC

(Rs lakhs)

Name of the state	Refinance provided to SLDB		
	1974-75	1975-76	1976-77
Rajasthan	213	276	368
Bihar	712	592	759
Orissa	46	101	367
West Bengal	28	129	279
Madhya Pradesh	824	930	1530
Uttar Pradesh	1326	1605	2011

Minor Irrigation

Minor irrigation, amongst the various purposes for which the corporation provides refinance, continues to receive the predominant share. Disbursements for this purpose during the year amounted to Rs 145 crores or 66 per cent. Investments under the different diversified purposes showed improvement, the significant heads being dairy plantation and horticulture and storage and market yards.

A review of the minor irrigation sources financed by the corporation revealed that a large number of them remained to be energised. This resulted in the farmers not being able to realise the full benefit of investment. The corporation had, therefore, in 1975 announced a scheme for refinance to member banks for loans given by them to state electricity boards for energising pumpsets financed by them. States had been representing that there were a large number of wells/pumpsets installed by farmers without any institutional finance. In order to ensure that all irrigation sources were fully utilised discussions were held with the Planning Commission and the original scheme was modified considerably during the year. Under the revised scheme, refinance assistance is now available even where the wells have been constructed out of the own resources of the farmers or sources other than from cooperatives or commercial banks covered by the ARDC schemes. Refinance under the revised scheme is made available from March 1, 1977. Tamil Nadu Karnataka, Madhya Pradesh Haryana, Maharashtra and Orissa have taken advantage of the scheme, while proposals from Gujarat, Kerala and Rajasthan are under consideration.

The significant increase in food production in recent years has focussed attention on the need for augmenting storage facilities. The Food Corporation of India formulated during the year a scheme for construction of godowns by private parties who will lease them to the FCI. The ARDC agreed to provide refinance to member banks under this scheme and at the end of June 1977, as many as 153 schemes had been sanctioned involving the corporation's commitment of Rs 13.5 crores and a storage capacity of 1.5 million metric tons.

New Activity

A new type of activity undertaken during the year was the refinancing of sericulture schemes. Under the ten-year programme for development of sericulture in Karnataka, the corporation agreed to provide refinance to banks against loans to members of sericultural societies under an integrated programme covering short-term crop loans also. During the year, refinance for an amount of Rs 178 lakh was sanctioned on behalf of societies. The corporation also sanctioned another scheme for sericulture in Karnataka under the DPAP programme.

Another significant develo

ment during the year was the revival of financing of tea estates in the north-eastern region by commercial banks. During the year, five new schemes were sanctioned by the ARDC and disbursements made under these schemes amounted to Rs 38 lakhs against a commitment of Rs 73 lakhs.

Promotional Role

Over the years, the corporation has been devoting greater attention to agricultural investment in the less developed and under-banked states, particularly those in the eastern and north-eastern regions. The decision taken earlier to provide a higher quantum of refinance at 90 per cent for all schemes in the eastern and north-eastern regions and carrying out of a pre-investment survey of the north-eastern region to identify potential for agricultural development were important steps. The corporation is currently associated actively in the formulation of the eastern region foodgrains project. Its officers were involved during the year in the appraisal of agricultural development programmes in Assam and survey in Bihar for formulation of suitable projects in the states for increasing agricultural production.

In view of the importance of increasing the credit flow to small farmers and other weaker sections of the community, the corporation took a decision during the year to provide 90 per cent refinance against loans for on-farm development under the drought prone areas programme and other special development schemes intended for the benefit of scheduled castes and scheduled tribes. It also decided to provide refinance to

TABLE II

Agency-wise Sanctions and Disbursements during 1975-76 and 1976-77

(Rs lakhs)

Agency	1975-76			1976-77*			As on 30.6.77*		
	No of schemes sanctioned	ARDC commitments	Disbursement	No of schemes sanctioned	ARDC commitments	Disbursement	No of schemes sanctioned	ARDC commitments	Disbursement
SLDBs	256	17662	9909	530	14267	12677	1576	92085	57639
Commercial banks	650	11945	7075	1119	15658	9306	2861	50339	22126
SCBs	3	84	131	20	1016	112	68	3436	1750
Total	909	29691	17115	1669	30941	22095	4505	145860	81515

*Provisional

TABLE III

Purpose-wise Sanctions and Disbursements during 1975-76 and 1976-77

(Rs lakhs)

Purpose	1975-76			1976-77*			As on 30.6.1977*		
	No. of schemes sanctioned	ARDC commitments	Disbursement	No. of schemes sanctioned	ARDC commitments	Disbursement	No. of schemes sanctioned	ARDC commitments	Disbursement
Minor irrigation	410	16681	10818	649	17757	14452	2169	100345	59046
Land development/CAD	16	2184	492	208	2817	560	316	11090	4053
Farm mechanisation	264	7950	4575	223	3417	4988	703	16256	11498
Plantation/ Horticutture	37	738	307	106	1316	512	389	5783	2152
Poultry/sheep breeding	25	98	68	53	316	67	124	666	231
Fisheries	31	517	243	48	343	192	169	1861	903
Dairy development	84	760	288	158	1220	350	326	3186	939
Storage Market yards	41	758	319	199	2912	950	279	5696	2652
Agricultural/ Aviation	1	5	5	1	23	—	3	40	17
ICDP	—	—	—	14	574	5	14	574	5
Forestry	—	—	—	9	244	19	12	361	19
Gobar gas	—	—	—	1	2	—	1	2	—
Total	109	29691	17115	1669	30941	22095	4505	145860	81515

*Provisional

member banks for setting up of 'gobar' gas plants.

To ensure that quality of lending is sound the corporation has undertaken the responsibility of organising training courses for the staff of member banks. So far, the corporation has conducted at the RBI College of Agricultural Banking, Pune, 29, courses in project appraisal in which 834 participants participated, beside a seminar for chief executives of LDBs and heads of Agricultural Finance Department of commercial banks. The corporation has also assessed the training requirements of junior level staff of LDBs and has organised training programmes to be conducted by LDBs. Till June 30, 1977, 106 courses were completed by 13 SLDBs benefiting about 2900 participants.

Follow-up Studies

As part of monitoring and supervision, follow-up studies of schemes are being undertaken by the various regional offices of the corporation and the staff has been suitably strengthened. It is proposed to streamline these arrangements and also undertake a much larger number of follow-up studies in the future.

For evaluating, on a continuous basis, the financial and economic benefits under various schemes, the corporation has set up an evaluation division. During the year, the division finalised the study reports in respect of two land development schemes and two minor irrigation schemes. These reports give valuable information about increase in production and employment as a result of the development. It is proposed to complete the study of six more schemes during the next two years, in addition to completion reports in respect of several IDA-assisted projects.

In 1974, the corporation for the first time attempted a programme of business and arrived at a figure of Rs 900 crores for a five-year period. These objectives have been kept under constant review and revised keeping in view the performance each year. The performance during the year, both financial and accounting, encourages the corporation to have a perspective programme of Rs 1,625 crores during the five-year period ending 1981-82. This programme has been separately worked out for each year and for each purpose. The current performance for the year is also constantly monitored and suitable refinements effected.

TABLE V

Perspective Programme

(Rs crores)

Year	Original	Revised programme (I)	Revised programme (II)	Refinance disbursed	
				Financial year (April-March)	Accounting year (July-June)
1973-74	120			89	98
1974-75	150	101	120	101	106
1975-76	180	140	140	155	171
1976-77	210	185	220	210	221
1977-78	240	216	260	—	—
1978-79	—	238	285	—	—
1979-80	—	—	320		
1980-81	—	—	3 0		
1981-82	—	—	400		
	900		1625		

TABLE IV

Reduction of Inter-State Imbalances

(Rs lakhs)

Name of the state	As on								
	30.6.71			30.6.76			30.6.77(**)		
	No. of schemes	ARDC commitment	Disbursement	No. of schemes	ARDC commitment	Disbursement	No. of schemes	ARDC commitment	Disbursement
Andhra Pradesh									
Less-developed areas*	44	1800	639	178	6127	2514	249	7259	3207
Entire state	74	3416	1758	294	11385	5500	413	13502	7631
Orissa									
Less-developed areas*	3	43	—	35	1024	146	61	1621	181
Entire state	8	155	27	110	3853	475	184	5978	1037
Uttar Pradesh									
Less-developed areas*	10	544	157	112	4878	2587	198	7203	4122
Entire state	32	2566	671	357	18925	8363	625	21791	12067

*Andhra Pradesh: Telengana and Rayaleseema areas.
*Orissa: Mayurbhanj, Keonjhar, Phulbani, Sundergarh, Koraput and Kalahandi districts.
*Uttar Pradesh: Districts in the three divisions of Faizabad, Gorakhpur and Varanasi.
**Provisional



The world had nothing before it got zero

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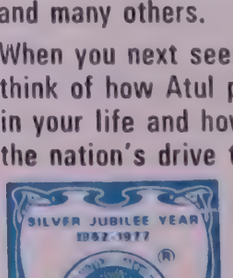
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An outline as yet

NO EXCEPTION can be taken to the general outline of the industrial policy proposed to be followed by the Janata government. For the immediate future, it has to have, in the words of the new minister for Industry, Mr George Fernandes, five basic objectives: (i) maximising of the production of consumer goods; (ii) optimum utilisation of human and material resources; (iii) prevention of monopoly concentration of economic power; (iv) speedy development of employment-oriented industry; and (v) making industry responsive to social needs.

These objectives, in fact, have a familiar ring. Efforts were made in these directions by the previous Congress government as well. But there is one crucial difference between the professions of the previous government and those of the present one. It is that while emphasizing the above, the Congress government in practice had been more concerned with the building up of the public sector and the basic and heavy industries, with the result that the implementation of the policy in the other fields left much to be desired, the present government proposes to make a determined effort to foster cottage, village and small-scale industrial units which are labour-intensive and can go a long way in reducing the widespread unemployment in the country. So far as the basic and large-scale industries as well as the public sector are concerned, it is not proposed to neglect them, but their growth is envisaged to be correlated in a more realistic manner with the overall growth of the economy.

It is, however, high time that the government should proceed further from the stage of generalities and try to impart flesh to the skeleton. The nation has to be taken into confidence what concrete steps the government intends to take to translate its philosophy into action. It is true that during the brief period it has been in power, it has been overwhelmingly engaged in clearing the decks for launching its economic programmes. But it can also not be ignored that patience of the electorate is not inexhaustible and some specific programmes have to be thought out and launched expeditiously. Erosion of goodwill obviously does not take much time. Already the persistent rise in prices of various items of essential consumption has tarnished the image of the government not insignificantly, notwithstanding the fact that to no small extent it has been the result of the scorched earth policy followed by several of the erstwhile Congress administrations in the states to the legislatures of which elections were held recently and also of such factors as delayed action on the part of Mrs Gandhi's government to meet through imports the developing shortages of such items of mass consumption as edible oils.

It, of course, will be uncharitable to say that nothing at all has been done by the Janata government on the economic front. The considerable liberalisation of the import policy and the emphasis placed by the Finance minister, Mr H.M. Patel, on fostering the decentralised industrial sector through fiscal and monetary measures are indicative enough of the anxiety to give a new direction to industrial growth. The slowing down of the growth in money supply also should augur well in so far as the price level is concerned. But, surely, the effect of these measures can be felt over a period of time. It is not easy for the common man to fully comprehend all this.

One fails to understand why there should be undue delay in launching at least some specific industrial programmes not only in the decentralised sphere but also in the medium and large-scale sectors. According to responsible quarters in the government, there are few sectors of our industrial economy the interests of which clash with those of others. Further, it cannot be denied that sufficient thought has already been bestowed on several programmes. A pertinent example of this is the identification of common production programme for at least eight industries which include textiles, grain milling, sugar, ceramics, leather, vegetable oil crushing, light metal fabrication and wood processing. An expeditious launching of this scheme itself can make a sizeable contribution to economic growth and opening up of new vistas of employment in the countryside.

There appears to be an unnecessary controversy developing over the role of

big business houses in the country. An expression of this was available recently when the Janata party president, Mr Chandrashekhar, objected to the reported consideration being given to relaxing the definition of "monopoly houses". The controversy seems to be unnecessary for the simple reason that a sea-change has taken place in investment costs in the country due to inflation since the present definition of monopoly houses was drawn up. If the industrial growth has to be fostered at a rapid rate, not only the existing capacities have to be fully utilised but also new units set up both in the decentralised and the large sectors.

mist cleared

Dr Lakdawala's observation in an exclusive interview with this journal (published elsewhere in this issue) in respect of the future role of large-scale industrial undertakings, indeed, is pertinent and should help in clearing the mist. As the purchasing power of the people goes up through the opening up of new avenues of employment, he has said, a lot more goods of mass consumption would be required and that too quickly. The development of the decentralised sector has its organisational problems and also there has to be the consideration that mass consumption goods have to be produced at economic cost. This should suggest that a dogmatic approach to the role of the large industrial houses will not lead to the attainment of the desired results of containing the prices spiral while enlarging the employment potential. The expansion of the public and large-scale sectors in industry cannot be obviated even otherwise for the development of the decentralised sector as well as agriculture depends to no small extent on this.

The idea mooted by Mr Fernandes for the taking over by workers of some sick units, though theoretically unexceptional, is not easy to pursue. Not that cooperative enterprises have not succeeded in this country and also abroad. While the Yugoslav experience is there to be drawn upon from abroad, we have within the country itself several cooperative units not only in such traditional industries as sugar and cotton spinning but also in the sophisticated field of fertilizer manufacture. In the decentralised sector, too, quite a significant number of cooperative units are going well. The major snag in the workers taking over sick units in any impressive number is that rehabilitation of such units is not an easy proposition. Instead of sinking public funds in such projects, it will be more judicious to help the growth of new cooperative ventures which will find it more easy to face competition from the other viable units in a manufacturing line than the rehabilitated ones. An undertaking falls on evil days not always due to mismanagement. Several other factors also contribute to this. The amalgamation of sick units with the more viable ones, as envisaged by the Finance minister, is a better way of tackling the issue. Of course, it goes without saying that sickness in industry ought to be prevented through initiation of effective remedial measures as soon as the signs of sickness appear.

Workers' participation in industry, which has been experimented with to some extent in the recent past in the public sector, cannot have the same connotation in the private sector where investment to no small extent comes from private sources. To impart real meaning to it, equity participation by workers needs to be encouraged.

It needs hardly to be stressed that an industrial undertaking once allowed to be set up should be provided scope for expansion to its optimum size. Placing of undue impediments in the operation of any industry on considerations other than economic too has to be avoided. Instances are not wanting of such a thing having been done in the past in the case of some large manufacturing units, particularly in the aluminium industry. Efficient utilisation of scarce capital resources warrants the emphasis which the government proposes to place on streamlining the working of the public sector undertakings. It holds equally good for the private sector.

Too many export agencies

SPEAKING IN the Lok Sabha recently, the former minister for Industry, Mr T.A. Pai, urged the government of India to reorganise the export promotion agencies in order to increase their effectiveness. He said that the State Trading Corporation, the Minerals and Metals Trading Corporation and the Trade Development Authority were at times working at cross purposes. He remarked that these organisations, in the name of autonomy, functioned like empires without paying heed to national interests and that too much money was being wasted on them. Mr Pai should have mentioned the numerous export promotion councils and commodity boards which also need to be reorganised. But if these corporations and councils functioned like empires, are they alone to be blamed? Are not the Commerce ministry, the cabinet and parliament also responsible for this situation? Mr Pai was a member of the Cabinet Committee on Exports in Mrs Gandhi's government. This high-powered committee was expected to deal with major policies relating to export. The two other members of this committee were Mr C. Subramaniam and Prof D.P. Chattopadhyaya, the former ministers of Finance and Commerce. Did this committee ever come across instances of these corporations working against national interest and, if so, what action did it take or suggest?

Mr Mohan Dharia was prompt in ordering a probe into the working of the STC and the MMTC soon after he assumed office as minister for Commerce, Cooperation and Civil Supplies. He has entrusted this task to the Indian Institute of Management, Ahmedabad. But it is not known what exactly are the terms of reference and what procedure is being adopted by the institute to ascertain the facts about the working of these organisations. Is the institute going to consult industry and trade and seek their views? Both the STC and the MMTC are handling a wide range of commodities in the import and exports trade. Unless therefore Mr Dharia asks the institute for its findings and recommendations on specific

ects of their working, the enquiry ms unlikely to be of much use. And, at about the TDA and the other export motion organisations? Is it proposed order a separate enquiry into their king?

Before trying to reorganise the export ncies, the government should evolve a ar export strategy. Mr H.M. Patel, the on Finance minister, Mr Charan Singh, union Home minister and Mr Mohan aria have expressed certain views on ort promotion which seem to be rather tradictory and confusing. For mple, Mr Patel, in his budget speech, hlighted the importance of promoting export of engineering goods. He d that "since this is the field in which rld trade is growing the fastest, we uld push ahead in this area". But Charan Singh has said that large lustries should produce only for export d that the home market should be erved for the small and cottage indus-es. Mr Mohan Dharia has observed t exports should not be developed at cost of domestic consumption. What country would like to know is what government as such is thinking about port promotion and what strategy it is ing to adopt on a long-term basis. The nning Commission has to do a great al of thinking on this subject. If the vernment is able to formulate clear as on this subject, it will be easier to fine the role of the export agencies and organise them properly.

need for coordination

There is need for effective coordination t only between the Commerce ministry d the export agencies but also among latter and between them and the siness organisations. This is necessary pecially in such fields as market surveys, rticipation in fairs and exhibitions, onsoring and receiving trade delegations, ening foreign offices abroad and several her fields. For instance, both the gineering Export Promotion Council d the Association of Indian Engineering dustry are actively assisting exporters, t there does not seem to be close operation with each other.

Mr Pai suggested that a new cadre of mmercial representatives, drawn from th the public and the private sectors, should be posted abroad to boost Indian exports and that they should be given proper training. But it is also important to ensure that our commercial representatives are allowed to remain in their posts for reasonably long periods and they are provided with adequate and competent staff. In the past, these representatives were handicapped severely in the performance of their duties because of New Delhi's reluctance to sanction sufficient funds. Mr Patel indicated in his budget speech that all ministries and departments of government and public sector agencies would be asked to observe "the utmost economy in expenditure". This policy should be implemented with caution so as to see that the commercial sections of our embassies are not denied the necessary funds to enable them to play their role properly.

The commercial representatives now-a-days have to undertake not only export promotional work of various kinds but also to help industrialists to set up joint ventures and project India's tourist image. Many official committees as well as trade delegations have commented on the inadequacies of our embassies from the point of view of export promotion and encouraging industrial collaboration and they have also made constructive suggestions to improve their working. The Commerce ministry should look into these suggestions and take appropriate measures to strengthen commercial sections of our embassies.

Mr Pai also suggested that efforts should be made to secure better value for our exports. It is significant to note in this context that the overall unit value index of exports increased by only 7.7 per cent in 1975-76 compared to 25.3 per cent in 1974-75 and 21.7 per cent in 1973-74. It is estimated that, in real terms, the rate of growth of our exports has been generally much smaller than that of the world as a whole. There is therefore an imperative need to give more serious and systematic attention to increase and diversify our exports. The fact that our foreign exchange reserves are now abundant should not create complacency. Mr Patel rightly remarked in his budget speech that "we would be foolish if we did not take note of the fact that our balance of payments still remains vulnerable to the effects of sudden shocks such as harvest fluctuations". The present government has shown pragmatism in many fields and it is hoped that it will extend this to export as well. But since export cannot be promoted in isolation, the other aspects of economic policy should also be such as to give a strong stimulus to industry to sell its products abroad.

Deficit financing avoidable

FOR THE first time in recent years, both the Reserve Bank and the government of India are in a position to meet their commitments without creating credit or resorting to deficit financing. This is because the impounding of 10 per cent of incremental deposits of scheduled commercial banks from the middle of January this year, the maintenance of a higher cash reserve ratio applicable to these banks and continued buoyancy in revenues of the central exchequer have obviated creation of currency and enabled even the pursuance of a contractionist policy. The absence of any big expansion of credit for procurement operations has also been a helpful factor. But the Reserve Bank has not been completely successful in slowing down the growth in money supply because of a continuing rise in foreign balances, vigorous mobilisation deposits by branches of commercial banks within the country and the use of available funds for extending credit to new classes of borrowers.

It is not however clear what exactly is the intention of the Finance ministry and whether the recent policies pursued by it are deliberate or are only make-shift arrangements. Even with the floatation of loans on two occasions in the first quarter of the current financial year for Rs 540 crores and the availability of large cash balances at the end of March this year, central government deposits with the Reserve Bank on July 1, were only Rs 70.64 crores. The cash balances have been either segregated in the banking

system partly or budgetary resources have been used temporarily for financing procurement purchases. Against net purchases of four million tonnes of wheat since the middle of April out of the rabi crop, food credit has not risen by more than Rs 250 crores.

The state overdrafts have also been substantially reduced during the week ended July 1, 1977 to Rs 112.49 crores from Rs 447.44 crores. This operation has not resulted in any increase in holdings of treasury bills, investments or rupee securities as happened on previous occasion. On the other hand, there has been a net decline of Rs 93.97 crores under these heads suggesting that the central exchequer used its own resources for reducing overdrafts of the state governments. The adjustments were of course facilitated on the present occasion by taking credit for the amount repayable by the government under the compulsory deposit scheme. While there would have been normally an addition to money supply with the Reserve Bank releasing impounded deposits for over Rs 250 crores in July, the central government has taken credit for this amount and at the same time not used it for meeting immediate commitments which would result in an outflow of cash. As stated earlier, cancellation operations have been carried out which have enabled the reduction in state overdrafts and also kept down the central government deposits with the RBI.

no rise in deposits

A similar policy had been pursued earlier in the case of the receipts against advance tax payment and massive subscriptions to the new loans. From the middle of June there has been no rise in central government deposits in spite of receipts for over Rs 500 crores. It is still not possible to explain satisfactorily how such large resources have been absorbed as central government bank deposits stood at Rs 53.42 crores and there has been no spurt in these deposits in subsequent weeks. There was probably financing of procurement operations during this period to a certain extent out of budgetary resources, for borrowing of scheduled commercial banks declined abruptly during the week ended June 10 to Rs 411.14 crores from Rs 661.70 crores; and the receipts from re-issues of earlier loans in the middle of May were not also reflected in higher central government deposits. What is the significance of all these operations? Can it be said that advance payments have been made to state governments and there is scope for considerable manoeuvre in later months when budgetary resources utilised for financing food purchases can be withdrawn with an increase in surplus funds of banking system to be invested in food advances?

comfortable position

Whatever may be the developments in coming months, the central government has not felt so comfortable at any time in recent years and it might be possible to avoid completely deficit financing in 1977-78. The main difficulty however will relate to the manner in which the amount borrowed from the Reserve Bank to the extent of Rs 800 crores out of foreign exchange reserves will be utilised. These have been rising steadily and between March 26, 1977 and July 1, 1977, the increase has been of the order of Rs 492 crores. There has been a sizeable trade surplus in April, while the trends in foreign trade subsequently have not been disturbing even with massive imports of raw cotton and edible oils. It has also been recently announced that the Aid India Consortium will be extending larger (to the extent of Rs 350 crores) net assistance. How is the government going to use Rs 800 crores over and above the additional foreign aid especially as there will also be increase in export earnings by over Rs 600 crores ?

In attempting to utilise Rs. 1750 crores additionally in foreign exchange, serious mistakes should not be committed. It is incorrect to expect that there will be an impact on the structure of prices merely through an augmentation of imports. It has been proved in the case of edible oils that internal prices cannot be brought down so long as the landed cost of imports is higher than internal parity. It may, of course, be argued that large imports of edible oils have been successful in preventing a further rise in prices which would have taken place if the scarcity had not been relieved. This is cold comfort as we are witnessing the sad spectacle of groundnut oil being sold through fair price shops at Rs 9.50 per kg even in Tamil Nadu which is supposed to be a surplus state in groundnuts.

Apart from this aspect of the price problem, larger imports of edible oils by themselves cannot be reflected in a deficit in foreign trade in 1977-78 as additional foreign exchange earnings will be available through larger exports. There is also the likelihood of an increase in internal production of raw cotton and edible oils with recent reports about satisfactory rainfall in the main growing areas.

With higher outputs of these two commercial crops, costly imports may prove embarrassing and may lead to creation of buffer stocks without the government intending to do so. The funds will get locked up if the stocks cannot be consumed in a short period. Also in the absence of a net trade deficit, foreign balances will continue to rise and use of Rs 800 crores secured from the Reserve Bank out of foreign exchange will be problematical for the central government. In view of the fact that there will have to be heavy expenditure in foreign exchange in the next nine months for generating rupee resources, it remains to be seen how the government will chalk out its strategy.

no profligacy

It is needless to say that there should not be any profligacy in expenditure and misapplication of resources in the anxiety to run down foreign exchange reserves. Without a careful approach to this problem and an imaginative scheme for using foreign exchange resources the desired effect cannot be secured. If, on the other hand, the government takes credit for rupees secured out of imports handled by state agencies, the earlier procedure adopted in respect of PL-480 agreement will have to be pursued again resulting in an increase in money supply or a prevention of a decrease in money supply that would have taken place if the rupees realised against sale of imports had not been cancelled and put back in circulation. It will then happen that there will be a reversal of policy now being adopted by the union Finance ministry. How the conflicts in approaches can be resolved will be borne out by the developments in the coming months which will in any event be highly interesting.

Indira Gandhi and Eastern Economist

January 6, 1967

POOR, OLD 1966! It had been an ill wind, indeed. Our image-makers, in particular, have reason to look back on it with equal intensities of sorrow and anger. They have certainly been let down. Just think of the assets they started with. Mrs Indira Gandhi could have been any image-maker's dream. The Family Tree is at least as sacred an institution in our country as the cow itself. Mrs Gandhi being a daughter of the Nehrus, her ascension seemed to most people the most natural and legitimate thing to happen. Mrs Gandhi, again, is a woman—and a woman prime minister is at least as intriguing a spectacle as a dog walking on its hind legs holding a tea tray between its fore legs. What more could her image-makers have asked for? Here was a perfect formula for instant image-making: acceptance plus oddity. All that they had to do was to pour it into a cup of boiling water and serve it hot. But look at the mess they made of it. It has taken less than a year for Mrs Gandhi's image-makers, ably aided and abetted by Mrs Gandhi herself, to make her appear in the eyes of the world wilful, tactless, confused and easily influenced. It is possible that circumstances have been cruel to these people, but the question is whether they had deserved a better deal at all.

In my view, the prime minister's image-makers committed a fundamental error of judgment when they plumped for a strategy of over-exposure. Mrs Gandhi has always been a hot house plant and she should have been kept like that. Instead, they put her where the winds blew. Mrs Gandhi became prime minister not for what she was, but by reason of what people thought she was. If her image-makers had been wise, they would have fought hard to pickle and preserve this illusion. Instead, they tried to make her do a broadcast a month and a press conference every four weeks. Added to these were the countless interviews which the prime minister granted as a matter of course to every prestige-seeking journalist or news service who (or which) thought it worth his (or its) while to pull the necessary strings. Then there were the numerous public occasions on which the prime minister was ritualistically required to deliver speeches. To make matters worse, the year 1966 has been a year in which quite a few international conferences were held in New Delhi, while many foreign dignitaries also came visiting, partly to satisfy themselves that India was still a going concern. All these would have sorely tried the resources of a statesman more richly endowed with intellect or experience than our prime minister. No wonder she found, as the year ended, that she had little to thank her image-makers for.

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March 17, 1967

The plain truth of the matter is that both she and he got cold feet at the last moment. It is probably true that Mr Morarji Desai will never again get closer to the prime ministership than he had done at noon on Friday last week when he announced his 'decision' to contest for the leadership of the Congress parliamentary party. That, however, was still not close enough for his comfort—or calculations. At 71, Mr Desai is in no position to give hostages to Time or Tide. Had he lost the contest, which was more than probable, he was sure to have been ignored by Mrs Gandhi in the formation of the new cabinet. It is my belief that Mr Desai was just not up to contemplating the prospects of retiring from public life as the chairman of the Administrative Reforms Commission.

The lady too had her nightmare. She was confident no doubt of winning the leadership contest itself, but she also knew that the majority in her favour would correspond to the attenuated majority of her party in the new Lok Sabha. This would have meant that, while she could have ignored the defeated candidate in the forming of her government, she could not have overlooked the large number of people who had preferred him to her in attempting to run that government. Even at the best of times Mrs Gandhi had not been the most able or effective of party or parliamentary leaders. In anything like really rough weather she would undoubtedly have been lost. I think that it was a timely awareness of her own limitations that compelled Mrs Gandhi to reconcile herself to having the prime ministership on Mr Kamaraj's if not Mr Morarji Desai's terms.

That, even then, she did not yield gracefully is known well enough. As a matter of fact, even as late as on the morning of Saturday, she was trying to make Mr Desai accept—reportedly in the presence of two senior members of the outgoing cabinet (who have been included in the present government)—the position that the deputy prime ministership was to mean nothing more than being No 2 in the cabinet list of seniority. Mr Desai, so the story goes, resented this manoeuvre and left the prime minister's house in disgust.

Then came the threat that really did the trick. A worried and rather badly shaken Mrs. Gandhi, having rung up the Congress president and asked for a meeting with him to discuss further the deputy prime ministership issue, was apparently firmly told by that man of few words that there was to be no more discussion until she had publicly announced the settlement reached between her and Mr Morarji Desai for her uncontested election to the leadership of the Congress parliamentary party. The implication of Mr Kamaraj's admonition to Mrs Gandhi on this occasion clearly was that if she would not play her part in avoiding a contest for the leadership, she would have to go it alone and face the risks to her own political future inherent in putting party tensions to the test at the present time. As often happens under circumstances such as these, discretion became the better part of valour.

(Extracts from V.B.'s column "The Moving Finger Writes.")

CAPITAL'S CORRIDORS

R. C. Ummat

Aid from Consortium • Modifications of budget proposals • Centre-state fiscal relations • IFFCO's performance

A GOOD deal of satisfaction is being expressed in the official circles here on the outcome of the recent Paris meeting of the Aid-India Consortium. In spite of the fact that we are currently comfortably placed in regard to foreign exchange reserves—thanks to large remittances by Indians abroad, encouraging export trends and sizeable reduction in the import bill as a sequel to the stoppage since June last year of imports of foodgrains on commercial account and the domestic production of such items as steel, non-ferrous metals and fertilizers going up substantially—the Consortium has pledged this year assistance to the tune of $ 2.1 billion, as against $1.76 billion last year.

According to the official sources, the current foreign exchange reserves position of the country did not deter the Consortium from extending increased aid this year on the consideration that the long-term needs of the economy warranted maintenance of aid at a high level. It is further pointed out that there was a good deal of appreciation on the part of the donor countries of the judicious use made by us of external assistance.

main reason

It was recognised that one of the main reasons of ourhaving been able to build up sizeable foreign exchange reserves was that as a sequel to the anti-inflationary measures following the hike in the oil prices in 1973, growth had to be provided a back seat. The measures taken on the energy front were well appreciated. It was thought that the Indian economy was posed for a good growth in the coming years and this growth ought to be assisted.

Although the pledges made by the various donor countries are more or less of the same order as in the last year, the major promised increase in aid has resulted from the recent replenishment of the IDA funds as a result of which the assistance from the World Bank and the IDA has been stepped up to $1.1 billion from about one billion dollars last year. Part of the increase in the quantum of aid has resulted from the fact that the debt relief granted this year has been to the extent of about $50 million — 50 per cent of the last year's debt relief. Japan has granted no debt relief this year but has doubled its commodity assistance.

World Bank assistance

Of the assistance pledged by the World Bank group, $ 900 million will be available from the IDA—in the same proportion of the available funds with it as in the previous year's (40 per cent), although before the last replenishment, there was pressure on the World Bank that our share in IDA assistance should be reduced. The aid from the World Bank will be of the order of $ 200 million. The increase in the assistance from the IDA has been particularly welcomed because of the very soft terms governing it.

The project aid contained in the pledges made is of the order of $ 1.3 billion. The rest is non-project assistance.

The above figures do not include the aid likely to be available from the United States. No bilateral assistance has been provided by this country since 1971, but this year's US budget is said to contain a provision of $ 60 million in this regard.

Although resumption of aid by the US still remains an open issue as the budgetary provision has yet to be voted upon, the prospects of the US resuming assistance to us are rated quite high in view of the appreciation on its part of the new thrusts in economic development programmes outlined by union Finance minister, Mr H.M. Patel, in his budget speech. The US attitude at the last meeting of the Consortium was said to be generally sympathetic and helpful.

In fact, a clearer evidence of this is available from the fact that after protracted negotiations, the US government has recently released 12 tonnes of enriched uranium to be used as fuel at the Tarapore atomic power station. The total requirements of this station are around 20 tonnes annually. The US government is expected to be approached for the remaining quantity in the near future. The released quantity has already arrived in the country.

* *

Wide ranging modifications were announced on July 15 by the union Finance minister, Mr H.M. Patel, in his this year's budgetary proposals presented to Parliament on June 17. The effect of these would be to enlarge the deficit in the central budget by as much as Rs 21.6 crores—from Rs 72 crores to Rs 93.6 crores. In fact, if the reduction effected in the export duty on coffee subsequent to the presentation of the budget proposals on June 17 is taken into consideration, the deficit would be much higher.

The modifications announced by the Finance minister include:

(i) All small-scale industrial undertakings will be eligible for investment allowance even though they might be engaged in the manufacture of low priority items.

(ii) Refrigerating and air-conditioning appliances and machinery, watches, computers (including central processing units and peripheral devices), motor cars and motor cycles, scooters and other mopeds, and forklift and platform trucks have been excluded from the list of low priority items.

(iii) The definition of "latex foam sponge" has been widened to include polyurethane foam.

(iv) The grant of investment allowance

of machinery and plant installed for the purpose of manufacturing any article or thing by using know-how developed in government laboratories, public sector companies and universities has been extended in cases where the article or thing is manufactured by using know-how developed by any other institution which is recognised in this behalf by the prescribed authority.

(v) Cooperative societies have been entitled to the concession provided for the purpose of computing taxable profits of a company undertaking activities for rural welfare and uplift.

(vi) The definition of "rural areas" in the finance bill has been substituted by a new definition under which the central government will be empowered to notify areas upto 15 km from the local limits of municipalities or cantonment boards having populations exceeding 10,000 persons (earlier this limit had been at 8 km).

(vii) As a sequel to the change in the definition of rural areas, the tax concession in respect of small-scale industrial undertakings set up in these areas will now be available only when the undertaking begins to manufacture or produce articles after September 30, 1977. Originally, this date was to be June 30, 1977. The change has been effected to provide adequate time to the central government to issue a notification under the new provision.

sick units

(viii) The scope of the provision in the finance bill relating to the benefit of carry forward and set-off of accumulated business losses and unabsorbed depreciation allowances in cases of sick industrial units being taken over by another company has been extended to cases where a company owning a ship or ships and carrying on the business of shipping amalgamates with another company.

(ix) In the case of five items, namely, (a) hand tools and small tools, (b) weighing machines, (c) watches, clocks and timepieces, (d) electric light fittings, and (e) polishes, creams and scouring powders, on which excise duty has been levied for the first time at the rate of 10 per cent *ad valorem* and acetylene gas on which the levy

cent *ad valorem*, the exemption limit from the duty to small-scale manufacturers, which was earlier to be the first clearances upto one lakh rupees per annum, has been raised to Rs 5 lakhs. In the case of electric light fittings, and certain categories of hand tools such as pliers, wrenches and screw drivers the exemption limit has been fixed at Rs 10 lakhs. Complete exemption from the duty has been proposed now in the case of all non-power operating units producing polishes, creams and scouring powders.

(x) Unlicensed powerlooms have been subjected to a compounded levy of Rs 400 per annum per loom.

(xi) The duty on yarn which is consumed within a composite mill is to be charged separately at the same rate as the yarn which is cleared for consumption by the decentralised sector.

superfine fabrics

(xii) The rates of duty at the fabric stage would be maintained on *ad valorem* basis is respect of fabrics coming under coarse and medium varieties ranging from two per cent to 15 per cent as the price increases. However, in the case of fine and superfine fabrics, the rate of excise duty will be maintained at 15 per cent, irrespective of the ex-factory price of the fabrics.

(xiii) The rates of duty in respect of controlled cloth and drills are to be reduced by 50 per cent of the normal duty.

(xiv) Complete exemption is to be provided from excise duty to handloom cloth which is processed with the aid of power in factories by handloom cooperatives or government organisations.

(xv) Imports of viscose filament yarn, which have been liberalised, have been exempted from the customs duty of 120 per cent *ad valorem*.

(xvi) The levy of excise duty on the film industry is now proposed to be on the basis of prints. Complete exemption from the duty has been proposed for the first 12 prints. The duty will be on a sliding scale on further prints. Reference to the metreage of films for the purpose of imposing duty has been removed. In the case of colour feature films not exceeding 4,000 metres in length,

12 prints, Rs 2,500 on the next 12 prints, Rs 7,500 on the next 12 prints, Rs 15,000 on the next 12 prints and Rs 18,000 on the subsequent prints. For black and white films, the rates will be 60 per cent of the rates applicable to colour films. An additional levy of 25 per cent will be there in case the length of a film exceeded the standard length of 4,000 metres. In respect of prints of old films cleared more than a year after the release of film for public exhibition, the duty shall be limited to that leviable on the first dutiable slab.

mini steel plants

(xvii) The imported scrap used by mini steel plants has been exempted from the payment of customs duty. The mini steel plants have also been exempted from the excise duty of Rs 180 per tonne of steel ingots. The current duty of Rs 330 per tonne on the integrated steel plants, however, is to continue.

(xviii) The concessions available to daily newspapers have been extended to periodicals.

(xix) Aluminium utensils have been exempted from the proposed two per cent *ad valorem* general excise duty.

(xx) The import duty on stainless steel plates, sheets and strips, which had been reduced on June 17 from 320 to 120 per cent *ad valorem*, has been raised now to 220 per cent. Imports of these materials are also proposed to be so regulated that the interests of indigenous industry of stainless steel, stainless steel rerollers and producers are not adversely affected. In the case of imports of stainless steel for the manufacture of capital goods or their components, the rate of duty will be 40 per cent, subject to adequate procedural safeguards. In the case of stainless steel strips of 30 BG and thinner gauges, imported for the manufacture of fountain pen nibs, razor blades and watch straps, the rate of duty will continue to be 120 per cent *ad valorem*.

(xxi) Newsprint imports have been completely exempted from the import levy.

The full details of the modifications in the budget proposals and the reasons for effecting them are contained in the Finance

minister's speech which he made while moving the finance bill for the consideration of the Lok Sabha. It is reproduced in the Records and Statistics section of this issue.

* *

A nation-wide debate on a new relationship between the centre and the state governments on fiscal matters was sought by the Finance minister of West Bengal, Dr Ashok Mitra, in a talk with pressmen here last week on the plea that the centre controlled an overwhelming proportion (approximately 80 per cent) of the revenue raising resources other than in the agricultural sector. It had complete control over money supply and was also the sole authority for using the foreign exchange reserves. This, he observed, put the state governments in a difficult position as they had to either seek support from the central government to meet their budgetary deficits or had to find resources from the very limited sphere of taxation to which they were entitled. The best forum for such a discussion, he said, was the National Development Council.

Dr Mitra pointed out that before the previous Congress government went out of power in West Bengal, it had virtually rifled the state exchequer and had spent Rs 85/90 crores between January 20 and the end of April, putting the finances of the state in jeopardy. The Accountant General of the state, he revealed, had been asked to make a quick survey of this expenditure so that the government could know for drawing up the current year's budget under which heads unduly large expenditures had already been incurred. He was afraid that the state government might not have enough resources even to implement the core sector Plan programmes unless financial assistance was available from the centre.

The West Bengal Finance minister had discussions in this regard with the union Finance minister. Mr Patel is understood to have pointed out to Dr Mitra the difficulties of the central government and also the fact that several other states, particularly Bihar, Uttar Pradesh and Madhya Pradesh, were similarly placed. He, of course, is said to have assured Dr Mitra that the centre would assist West Bengal to the extent possible, although this assistance obviously could not be large.

Dr Mitra welcomed the Janata government's committment to decentralisation and stated that his government also supported this.

In reply to questions in regard to the future prospects of investments in industries in West Bengal, Dr Mitra observed that his government promised to be reasonable as long as the industrialists played fair by it. Whatever might be the ideology of his party (the CPI-M), it, he said, had accepted that it had to work within a capitalistic framework.

His government, Dr Mitra further stated, could ensure political stability in the state and that should be conducive to industrial development. But he pointed out that the industrialists had to treat labour fairly. Dr Mitra added that his state had suffered grieviously in industrial production due to the recent recession which had hit the heavy engineering industry very badly. The textile and jute industries had also been affected by the recession; so also ancillaries which depended on the heavy engineering sector.

Dr Mitra agreed that the state government had to foster entrepreneurship among Bengalis so that they could take to industry in an increasing manner. The development of ancillaries, he thought, was of crucial importance in this respect.

* *

The Indian Farmers' Fertilizer Cooperative Limited (IFFCO) has again turned in an impressive performance during the cooperation year ending June 30, 1977. Within two years of its commercial operation, the undertaking has emerged as the largest producer of phosphatic fertilizers in the country and the second largest manufacturer of plant nutrients. The utilisation of capacity during the cooperation year 1976-77 at its two manufacturing units at Kalol and Kandla was of the order of 83 per cent in the case of ammonia, 78 per cent in the case of urea and 98 per cent in the case of NPK fertilisers, as against 62 per cent, 61 per cent and 43 per cent, respectively, in 1975-76.

Since the commencement of production, the IFFCO plants have produced [illegible] than 500,000 tonnes of ammonia, 600,000 tonnes of urea and 580,000 tonnes of NPK manures. Nearly 57,000 tonnes of ammonia have been supplied to the Fertilizer Corporation of India for supplementing production of fertilisers at the latter's manufacturing units.

capacity utilisation

In physical terms, IFFCO produced in 1976-77 248,000 tonnes of ammonia, 310,000 tonnes of urea and 366,500 tonnes of NPK fertilisers. The highest capacity utilisation in the case of ammonia had been 99 per cent and in regard to urea of the order of as much as 116 per cent. All this was attained despite the fact that the undertaking was not completely free from mechanical and other problems last year.

The undertaking strengthened its marketing last year by including three more states, namely, West Bengal, Bihar and Orissa in this network. The marketing facilities in these three states are being developed in anticipation of production from the third unit of the undertaking currently being set up at Phulpur in Uttar Pradesh. Having a capacity to produce half a million tonnes of urea, this project is expected to be commissioned in the first half of 1979 at an estimated cost of Rs 168 crores. The foreign exchange component of this cost is being financed through a World Bank loan of $109 million. Most of the rupee resources are being arranged from the undertaking's internal resources.

Pioneering work is being done by IFFCO in rural development through the adoption of villages in an increasing number. Currently, more than 110 villages in the marketing areas of Punjab and Tamil Nadu have been adopted and special care and attention are being bestowed on their all-round development. The undertaking is also setting up a farmers' training institute at Phulpur.

Although the capacity utilisation of the undertaking at its Kalol and Kandla units has already gone up to impressive levels, it is expected to increase further during the current cooperation year. A series of steps has been undertaken to optimise output through the debottlenecking process. The undertaking is expected to throw up a sizeable profit for the last year.

An Interview

Lakdawala on future planning

R. C. Ummat

In this interview with our Senior Assistant Editor, the deputy chairman of the Planning Commission, Dr D.T. Lakdawala, dealt with some of the issues currently being debated in the country. His observations on the role of public sector and large-scale industries in future planning, which envisages in terms of the Janata party's election manifesto an added emphasis to be placed on the fostering of the decentralized sector in the interest of creating more employment, should go some way in allaying unnecessary misgivings in this respect in some quarters. Dr Lakdawala's replies to the questions relating to the use of the current food stocks for development purposes and the role of the public distribution system too should be of wide interest.

THE PUBLIC sector in Indian economy is bound to grow even after the heightened emphasis proposed to be placed on the decentralisation of production. Not only the task of creation of infrastructure facilities has to be catered for by this sector, but also in the spheres of heavy and key industries public enterprises will have to be there. This is because the future expansion of these industries depends to a great extent on public investment.

The above observation was made by the deputy chairman of the Planning Commission, Dr D.T. Lakdawala, in response to a specific question I put to him in an exclusive interview last week on the role of public sector in our economy in view of the new emphasis being placed by the government on the development of agriculture and village industries and opening up of new avenues of employment.

interdependence

Dr Lakdawala added that agricultural development in itself depended a good deal on the investments to be made for making available essential farm inputs and some of these inputs would probably have to be produced only in the public sector. The private sector might not be able to go into these lines of manufacture owing to the magnitude of investment involved.

The deputy chairman also saw a good scope in the economy for large-scale industrial undertakings. A pertinent observation he made in this connection was that as the purchasing power of the people went up through the opening up of new avenues of employment—which task had to be accorded a high priority in future planning—a lot more goods of mass consumption would be required and that too quickly. The development of the decentralised sector had its organisational problems and also there was the consideration that mass consumption goods had to be produced at economic cost. The role of the large industrial sector, therefore, had to be viewed against this backdrop.

POINT OF VIEW

The government, Dr Lakdawala thought, perforce had to adopt a pragmatic attitude towards the above issue, specially when the containment of the prices spiral was one of the basic tenets of its policy. Economies of scale as well as technical considerations had to be assessed properly in apportioning the roles to be played by the different sectors of our industrial economy. He was of the view that there were few sectors the roles of which conflicted with those of others.

Dr Lakdawala also was not averse to seeking private investments from abroad in the industrial sector. But these investments, he stressed, could be allowed only in selective fields as the legitimate interests of the country's own enterprises and capabilities could not be sacrificed. He did not think that there was any change necessary in the government's policy towards foreign investments.

export-oriented units

Asked about the Planning Commission's views on the setting up of export-oriented units in the country, the deputy chairman observed that this issue had yet to be considered by him and his colleagues. He, however, pointed out that the government was already following the policy of having free trade zones which were export-oriented.

In view of the fact that plans in most countries were drawn up on the concept of constant prices and also owing to the serious problems that could be encountered in planning which took into consideration some growth in inflation Dr Lakdawala did not see any possibility of a shift in the preparation of the future plans of this country on a different footing than the current one.

He emphasised in this respect that one of the major aims of our planning was achieving of price stability. This was an added reason for not shifting the process of drawing up plans to a concept other than that of constant prices.

Planning on a shifting price base he further pointed out involved fixing of a wide range of policies which was not possible at a given point of time. The policies had to be adjusted in accordance with changing circumstances.

Asked about whether the country could afford to continue with the experiment of high cost economy or any change was

envisaged in this perspective, the deputy chairman stressed that whereas technological and productivity improvements could be effected for reducing production costs it was very difficult to bring down the cost of long-term capital which was a scarce commodity. Interest rates in the country had to be fixed taking into consideration the scarce capital resources and as a sequel to this the need for going in for labour-intensive production methods. The legitimate aspirations of workers to have adequate reward for their labour too had to be contended with in attempting any reversal from a high cost economy. The high short-term interest rates, he added, had been necessitated to prevent hoarding.

Dr Lakdawala stressed that in the interest of containing of prices spiral, short gestation programmes of development obviously had to be accorded a high priority. But that, he stressed, did not mean that long-term interests of the economy could be ignored.

reckless expenditure

When his attention was drawn to the recent statement of the Finance minister of West Bengal, Dr Ashok Mitra, that the reckless expenditure incurred by the former Congress government in that state between January and April (according to the union Finance minister, Mr H.M. Patel, the position in this regard probably has been worse in such states as Bihar, Uttar Pradesh and Madhya Pradesh) could affect this year's planning programmes of the state, including the core programmes, the deputy chairman observed that full assessment in this regard had yet to be made. It was not known how much loss to the exchequer was of a transitory nature and how much of it could still be recouped.

The government of the states where elections to the legislatures had been held recently, he further pointed out, were expected to bring forth their budgets in the near future. The Planning Commission would be in a position to arrive at some definite conclusions in respect of the magnitudes of the state Plans only when the state budgets were presented and some assessment of the loss to the state exchequers owing to the Congress governments' spending spree was available. It would be able to suggest in consultation with the ministry of Finance only then to what extent assistance to state governments could be augmented.

In regard to West Bengal particularly, he thought that some additional amounts of money probably would fall due on detailed accounting even under the existing formulae of sharing the proceeds of some central taxes with the states.

Dr Lakdawala did not think that there was any significant scope for the utilisation of the current food stocks in the country for stimulating developmental activity. It might be possible to do so in the case of some very short duration projects but any long-term activity in this regard, he emphasised, obviously could not be undertaken in view of the fact that it was difficult to foresee how long the present stocks would last in case there was a serious set-back to production.

He also pointed out that these stocks were not built up entirely out of domestic production. The sizeable imports effected in the last two years too had contributed substantially to the building up of these stocks. A long-term strategy to use food stocks for developmental purposes, he stressed, implied that the country was not only self-sufficient in food but also could throw up some surpluses annually on a continuing basis.

Another difficulty to be encountered in the utilisation of the current food stocks for developmental purposes even on any significant number of short duration projects, Dr Lakdawala observed, was the tackling of the aftermath issues once payments to the workers employed were made either in kind though partly or wholly in cash at somewhat lower rates coupled with the provision of foodgrains at concessional rates. This perhaps could be easy in the case of flood or famine relief measures, but difficult in the case of regular development programmes.

He did not see any possibility of reducing the issue price of stocks for distribution through ration and fair-price shops in general in view of the increase that would be necessitated in the food subsidy.

The deputy chairman emphasised that an efficient network of public distribution system was needed in the country. The present network was not only to be maintained but also expanded in the interest of providing food at reasonable prices to the vulnerable sections of society and also to contain the open market prices.

The deputy chairman expressed the view that a fresh look might be necessary at the energy pattern in the country in view of the availability of crude oil from the Bombay High and the possibilities of a larger use of gobar gas in the countryside.

The working of the Planning Commission, he indicated, was proposed to be looked into in the near future with a view to pruning or strengthening the staff in the various departments. Evaluation of the implementation of the planned programmes, he felt, had to be done by the Planning Commission, for it made the future planning more realistic. However, what was more important was to see whether the expenditure incurred was utilised by the Commission in a judicious and efficient manner.

Eastern Economist 30 Years Ago

JULY 25, 1947

Dr Lloyd Jones, Deputy Director-General of the I.M.S. was in Madras last week in connection with the investigation of medical services for workmen. He also visited Nilgiris to find out the medical services in the plantations. While in Madras, he discussed with the minister for Public Health Mr A.B. Shetty and other officials the scheme or workmen's health insurance scheme proposed to be introduced on an all-India basis as a result of the Workmen's State Health Insurance Bill now pending before the legislature. The scheme contemplates compulsory state insurance for industrial workers in perennial factories to provide for benefits in regard to sickness, maternity, disablement, employment injury, etc. The scheme is to be administered by a central corporation contributing two thirds of the cost and the Provincial government contributing the remaining one third. The scheme is to be made applicable to factories in the Province. The Provincial government proposes to depute a Civil Surgeon to investigate the existing medical facilities in these factories and also to state what is to be done to provide the facilities mentioned in the scheme.

New strategy needed for rural development

Murad Ali Baig

The author who manages the sales of farm equipment of the agricultural machinery manufacturing company, Escorts, stresses the need of motivating the farmer to produce profitable surplus. He thinks there is hardly any country in the world which has created so many incentives for backwardness as India has. The author advocates the resurrection of the old tax-by-levy system that would motivate the actual tiller and dissuade the absentee landlord.

IT MAY seem strange to write about the wealth of India when we are so accustomed to talk about our poverty, but until 200 years ago India was the richest land in the world. Open the book of history at any page and there is no epoch when trade with India did not dominate the commerce of the world. It was the quest for this land of gold that led to the discovery of America and the circumnavigation of the globe.

It has never been really established that the gold of India was actually mined in this country though records of thousands of years testify to the gold that was imported in exchange for Indian agricultural produce. The export of cotton, Indigo, timber, grains, spices, herbs, the muslins of Machhlipatnam and the calicos of Calicut, caused a steady flow of bullion into the coffers of the country. India used to boast that it could convert grass into gold. Being a replenishable resource Indian agriculture was able to recover rapidly from the depredations of foreign invaders and the pillage of rapacious kings.

continuous neglect

It has been the continuous neglect of agriculture since the time of British rule that has caused India to be left behind in the world's march to progress. Revenue oriented British administrators, despite their sincere liberal leanings, were unable to grasp the complexities of Indian farming. Their Indian successors have done no better.

The prime minister's recent speech to the nation had emphasised that villages must become the base for India's economic development. Not only did this echo the teachings of Mahatma Gandhi but even eminent economists like Colin Clark have emphatically declared that India's problems, urban and rural, can only be solved in rural India. Rural India holds 80 per cent of the population, but generates less than 50 per cent of the Nett Domestic Product. Increase of productivity here will therefore have a massive impact on India's total economic life.

past failure

During the past 30 years India's planners had sincerely attempted to reduce poverty, increase farm productivity and improve employment. Their failure to achieve any significant change in these areas clearly indicates that the strategy to achieve these objectives was defective. Being a state subject there was no national agricultural strategy. The centre's direct interest was in the procurement of some 14 million tonnes of grains for the ration shops, not in the creation of about 120 million tonnes for all the people. The centre could not overcome the local priorities of the states and had to confine itself to an advisory role in planning and in augmentation of resources like irrigation, technology, credit, inputs, etc.

Defective planning can be attributed as much to our legions of arm-chair economists, far removed from the real mechanics of rural behaviour, as to our narrow-field specialists in irrigation, agronomy, agricultural engineering, animal husbandry, etc., who cannot see far beyond the confines of their own disciplines. The civil servants dominated by the procedures of their disciplines have contributed nothing to new strategic direction.

It is an unfortunate fact that there are no miracles available through irrigation or technology capable of producing the dramatic change that India has been hoping for. It has taken irrigation a hundred years to reach just 20 per cent of our cropped land and that too for only part of the year in most cases. The development of huge resources can only increase this potential by about one per cent per year. Therefore, however valuable irrigation may be, it is not capable of revolutionising agriculture during our life times.

no unmixed blessing

Irrigation incidentally is not an unmixed blessing. Over-irrigation has caused lands to become saline and extravagant waste of irrigation waters has caused massive erosion. It takes nature a thousand years to build an inch of top soil and this can be swept away in one season. Though irrigation engineers and their political masters love to show off the massive monuments of their engineering achievement, water catchment above the grounds is less valuable than the development of underground water resources. However useful irrigation may be, natural rainfall will always remain the most valuable source of water. The achievements of Gujarat with just 11 per cent irrigation and scanty rainfall clearly demonstrates how much can be achieved despite limitations in available water.

There are similar limitations in the area of technology. All the new ideas propagated by the seemingly huge army of technicians spewed out by our agricultural colleges and research institutes are diluted into oblivion among 70 million farm holdings. Fertilizer, pesticides and agricultural chemicals are valuable but there are limits to their utility. In fact, excessive use of fertilizer causes the draining of other soil nutrients and trace metals which cannot all be added back to the soil, and without these, soils soon become barren.

In any case, most of this irrigation and technology are applicable to only about 40 per cent of the richer districts and the huge potential of our dryland, hill and forest districts remain badly neglected.

The increased availability of better

resources must also be viewed in the context of the fact that the Indian farmer is guilty of the most apalling waste of the existing resources of land and water. Before India considers adding more resources of betterseeds, fertilizers, irrigation etc., it must examine why the existing resources are not being better utilised. The answer lies in the fact that the key resource is the 76 million cultivators themselves. If they can be made to work harder and put more resources into their lands there would be an immediate and gigantic agricultural revolution. This vital resource is, therefore, the missing link in India's agricultural strategy.

Agriculture, essentially, is the conversion of sunshine into food by photosynthesis. India is therefore one of the world's most bountifully endowed countries. There is proof in every district, that despite the limitations of soil and water, when farmers want to, their production can match world records.

no motivation

The average farmer, however, has good reasons for not wanting to produce more than he does. The repetitious, monotonous and arduous work of soil preparation has to be done in the short span of only two or three weeks each season. During this short period of sowing he decides how much land he must cultivate. In this critical period of decision, he faces an acute shortage of labour and has to work very long hours himself in intense heat. He cannot, therefore, be blamed if he curtails his efforts as soon as he has sown enough to cover his own needs with a modest surplus. He has no motivation to produce about four times his own consumption needs, the quantity needed to feed the rest of the rural and urban population.

The amount of land that the farmer can actually cultivate in the short time available is dependent on his resources of power. There is an acute shortage of labour during the short sowing period though it may be surplus later. It has been estimated that India has only about 37 million horsepower from all sources, human, bullock and mechanical as compared to a power requirement of 112 million HP needed to cultivate 139 million hectares. This is why so many lands are left uncultivated in all districts of the country. The entry of pumps, motors and tractors has been demonstrated to revolutionise agricultural practices. Contrary to popular belief, these increase productivity not only because they make higher production easy, but also because they increase the costs of cultivation forcing farmers to exploit their lands to the full. This is why mechanised farmers generally employ more labour and use more fertilizers, pesticides etc., as has been revealed by many expert studies.

more employment

Increased production also means more employment in the post-harvest operations of seed processing, storage, trade and transport. Mechanisation has also an important educational aspect of transferring technology from urban to rural areas. A prosperous district in north India would have some 4,000 tractors and over 50,000 pumps and motors which would require a work force of some 5,000 persons for repairs and supplies plus additional employment in ancillary industry engaged in the manufacture of local implements, accessories and components. This is a useful component out of some 300,000 families in such a district.

Another important factor is the problem of prices. When prices are low farmers have to produce more grain to meet their minimum needs. The typical farmer calculates that he must produce 80 bags of grain for home consumption plus 40 bags which he must sell to repay his pre-harvest debts and another 80 bags for cash to buy his non-farm necessities. He will work hard to meet these basic requirements but is not really interested in working harder to produce more. When farm prices are high he can meet his needs with less production. The high productivity during the emergency was not due to any especially bountiful rains but because of the low prices.

The problems with low prices lies in the havoc it causes to the other sectors of the rural community. Farmers account for less than half the rural population and the dependent sectors in agricultural labour, trade, transport and local crafts and industry play a vital role in the balanced development of the rural community. The damage to these latter sectors during the emergency is also indicated by the decline in the sales of textiles and manufactures.

stimulating demand

A profitable surplus in the hands of cultivators leads to the development of the dependent sectors and in turn stimulates the demand for the products of urban industry. The history of civilization clearly shows that wealth is as indispensable for progress as water is for the land. It is no fault of the water that some areas are flooded and others dry. Unless the wealth or surplus is first created, there can be no possibility of improving distribution.

The agricultural revolution therefore requires profitable productivity by the cultivators who must be made to produce more than their own needs and who should also be rewarded for their extra effort. This is a problem for which history also provides an answer. The system started by Allauddin Khilji and revived by Sher Shah, Todar Mal and other successors was to demand a grain levy at every harvest. This forced farmers to produce a surplus for the state, in addition to their own subsistance needs. The levy was no disincentive for productivity as it was fixed according to the quality of the land. It therefore punished the lazy farmer who was forced to at least produce a minimum quantity, while the active farmer had no difficulty in exceeding the quota and then running up a comfortable surplus. The historic tax-by-levy of 25 to 33 per cent would not be acceptable, but the government could easily give the farmer a 10 per cent better price while simultaneously demanding a 10 per cent levy fixed according to the potential of the land.

Assessment of land potential is administratively easy, and is available from the existing system of land records. Levy or taxation on output is undesirable as it would not only discourage productivity but would be subject to considerable malpractices in establishing the quantum of each crop.

This levy could be reduced in the case of very small farmers. Development re-

bates could also be allowed to farmers who invest in land reclamation, fertilizers, farm machinery, recommended farm practices etc. This fiscal spur would accelerate the adoption of new technology faster than any expensive demonstrations.

This tax-by-levy would also ensure that farmers paid their share to the national exchequer and would reduce the need for indirect input taxes or the crushing taxes on the urban sectors. Politically this step would require courage because the farm lobby will resist all taxation, and our new Janata government will have to prove that it has the courage to take a bold step which can really revolutionise agriculture. There is no country in the world which, in the name of the weaker sectors, has created so many incentives for backwardness and so many disincentives for growth and development. Such political patronage only postpones the time of final reckoning and is thus a luxury that the country cannot afford. The farm owners have to be literally stirred into action and this will not be achieved by any half-way measures.

in country's interest

Politicians are always tempted to demonstrate what they have individually done for there electorates with visable evidence of lands distributed, irrigation projects, industries, employment schemes etc., and it is understandable that they will press for the continuation of the past strategies despite its obvious failures. The introduction of tax-by-levy even with compensation through better prices will therefore require parliamentarians to place the interests of the country before their own wishes.

There is a fine line between motivation and compulsion. People do not work because they want to, but because of the compulsions of their own needs. They can be persuaded to put in additional work if the compulsion for extra work are matched with adequate reward. Farmers are remarkably well educated about the facts that impinge upon their own lives. Even if they may be illiterate, they are extremely sensitive and responsive to the spur of fiscal measures.

Incidental benefits of tax-by-levy would be that it would reduce the pressure for land as absentee landlords and city farmers would no longer find land investments attractive. Large farmers could not afford to keep lands fallow and socially this would be far more effective than any land ceilings.

The past government's efforts at redistribution of small holdings would have in fact committed thousands of farmers to a life-sentence of hard labour on small marginal lands. With profitable productivity there would be a migration of small farmers and agricultural labour to more rewarding occupations off the land as is already happening in India's richer districts and it would be possible to attempt meaningful land-reforms especially the consolidation of fragmented holdings.

danger to ecology

India has far too much land under cultivation; 40 per cent is, ecologically, a dangerously high percentage threating our forests and wildlife and making the lands prone to erosion. Productive farming could produce national surpluses while restoring lands to valuable forest and pasture needs.

The development of dry-land needs the specific encouragement of coarse grains like maize, jowar, bajra, ragi and barley. If these were profitable to the farmers and cheap to the consumer there would be a good demand for them and the farmer would not waste these resources by trying to grow rice and wheat which are risky in drought prone areas. Price subsidy for coarse grain instead of wheat and rice would, in fact, benefit the weaker sections of urban and rural India. Risk insurance to at least cover the cost of investments could also be very productive in the drought prone districts. These steps would immediately change the life of some 100 dry-land districts of the country.

In hilly areas, the scope for cereals is limited but there is great scope for fruits, vegetables, milk and meat products. The only problem is that they are perishable and though enormously profitable to the trader are unprofitable to the farmer. Regular bulk purchasing at reasonable notified prices, cold storage facilities and food processing industries could completely change the complexion of these districts as has been demonstrated by the Indo-German project in Mandi. Increased production of fruits, vegetables, meat and other perishables will also improve the nutrition balance in Indian diet. The secret lies in better marketing which can allow the farmer a reasonable price.

Forests are also the neglected step-child of India's agricultural policy. Although 20 per cent of India's lands are forests, this contributes to less than two per cent of the nett domestic product. Instead of conservation we should manage forestry with proper deployment of irrigation, fertilizers and resources. Slack season employment schemes should divert surplus lean season agricultural labour to planting trees, clearing scrub, contour bunding and works for the natural entrapment of rainfall. Trees must also be planted on a massive scale in the villages themselves for there is an acute fuel shortage in our villages today and the burning of cow dung is criminal waste of valuable nutrients. If the treeless plains of Punjab and the tarai were studded with trees at the corners of each field India would not only gain millions of tonnes of timber and fuel woods but the fields themselves would be protected from excessive summer heat and could therefore conserve more moisture in the soil.

commercial farming

With these bold steps, farmers would be able to shift from subsistence to commercial farming and when this happens many outstanding benefits will become immediately visible.

Of most importance is the improvement in rural employment. The comparison between the productive and poor districts in India today clearly shows that when productivity goes up there is a simultaneous decline in the demand for employment. In a poor district, poverty forces young and old, men and women to seek any employment at any wage. As soon as an area becomes productive the farmer can afford to keep his wife at home on lighter duties and educate his children better. It is significant that in Punjab, workers account for only 29 per cent of the rural population as compared to 34 per cent all India. Female labour in Punjab is only two per cent of rural

workers as compared to 20.5 per cent all-India. Punjab wage rates are also high.

As the average family has 28 per cent adult males, Punjab has a healthy ratio of workers to population. It is only in the backward districts that the ratio of workers to population goes over 40 per cent. It is also significant that profitable productivity causes a migration of employment from marginal cultivation and agricultural labour to secondary and tertiary areas of trade, transport, local industries, crafts etc., which are more rewarding. India, therefore, does not have a problem of rural unemployment as much as over-employment at starvation wages especially during the lean periods between planting and harvesting. India, in short, needs to improve the quality of employment not its quantity.

Profitable productivity also has an important impact on family planning. When a family in below the poverty line, it regards every birth as an additional beast-of-burden and therefore as an asset that can be put to work. As mortality is high, the abject poor have no motivation to contain their growth. The census data on the more prosperous districts show that when people cross the poverty line, they tend to regard their children as liabilities that have to be provided food, education, clothing, recreation etc., till they are old enough to fend for themselves. They, therefore, find family planning attractive.

undesirable migration

The migration from rural to urban areas is not only a migration of poverty but is caused by the excitement of the big cities and the boredom of rural life. The poverty in the slums of our cities is often greater than can be found in any village. Technological change, films and TV can all contribute to the enrichment of rural life and should be vigorously encouraged.

Critics of development have argued that the rich are getting richer and that the gap between them and the poor has widened. The study of any prosperous area in India however shows that while this may be true in absolute terms it is not so in relative terms. Wage rates in Punjab have, for example, been increasing by about 25 per cent per year for the past decade which is a faster growth rate than that of the richer farmers. The study of social tensions also reveals that these have never been caused by the resentments of the weaker sections but invariably by the richer sectors disturbed by the increasing independence, bargaining power, and prosperity of their workers who are unwilling to work as hard or as long as they may desire. The universal lament of Punjab farmers is how hard their poor wives have to work to feed and pamper their labour.

trust in cooperatives

There are many idealists who still believe in the power of cooperative effort despite the known failures of collective farming in Russia and China and inadequacies of cooperatives in India. Farming all over the world is dependent upon individual motivation. The farmer who has to put in tremendous effort of often 18 hours a day during sowing and harvesting will only do this for his own profit. He will not put in this huge necessary effort as an employee of a state farm or as a small shareholder in a large cooperative.

The many steps detailed above, can rapidly revolutionise rural life, but planners may have reason for concern about their impact upon urban prices. With free procurement by tax-through-levy, the government will obtain a large buffer stock with which it can effectively compete in the market for real price control. Instead of the cumbersome system of procurement of wheat and rice which marginally affect the free market prices and leaves coarse grain unaffected, the government can follow the example of other successful economies by using its buffer stocks of all produce to buy and sell in the open market. It can notify maximum and minimum prices for all commodities and allow market forces to operate within the defined limits. If prices rise, the government can sell stocks to bring prices down and when they fall the government can buy. Out of 2800 regulated markets, 50 key markets control the country and the arrival of even a few truckloads will cause immediate reaction if there is the certainty of further supplies. This strategy would effectively control prices of all commodities at all levels while still allowing the efficient and cheap established trade channels to use their vast funds and experience with reasonable returns. As agricultural produce gives India nearly half of its national product, the control of agricultural prices would effectively control inflation and enable the government to have a proper wage and price policy without any cumbersome or restrictive controls.

motivating the farmer

To summarise, the abolition of poverty in India cannot be achieved by the past strategies focussed on irrigation and technology but only by motivating the farmers themselves to produce a profitable surplus. The farmers' wealth will in turn provide gainful employment in secondary and tertiary sectors. This will raise wage levels and reduce the pressure for starvation employment. The development of crops other than wheat and rice and selective risk insurance will help the backward districts which account for 63 per cent of the country. Control of prices cannot be done by cumbersome government machinery and can only be really effective if it covers all crops. This can be most effectively done by pre-emptive marketing of buffer stocks that would allow market forces to operate within defined limits. The starting point is however the motivation of 76 million cultivators. As they are remarkably responsive to simple fiscal measures, a 10 per cent increased price with 10 per cent levy procurement of all cereals will be immediately effective.

Profitable productivity will also generate considerable agricultural surpluses which would enable India to earn comfortable export earnings as it always had till recent times. The new government therefore has before it an opportunity to truly revolutionise India's economic life but results will only materialise if our planners are willing to really break away from the conventions of past policy and take hard decisions even if these may not be politically popular. Ideology is no substitute for objectives and direction is more important than dedication. The government has a very difficult choice Populist decisions will be very tempting but it is only the hard decisions that can take India out of the rut of past policies into a future of real prosperity.

Sales vs service contracts

P. Bhujanga Rao

The levy of sales-tax on work and service contracts has been the subject of a good deal of litigation in the Indian courts. In this article, the author examines some of the recent judgments of the Supreme Court and stresses that the work and service contracts cannot be treated on the same footing as sales contracts for the purposes of the imposition of sales-tax.

ONE MIGHT, perhaps more easily, be able to see the difference between Tweedledee and Tweedledom than between a contract of sale and a contract for work and services. Judging by the large number of cases that came up for consideration before the Supreme Court during the last two or three years—they are as many as six in number on the same point—it could easily be said that this is an area of law which is a happy hunting ground for the sales-tax advocate. The decision of the Supreme Court in *Union of India* v *Central India Machinery Manufacturing Co Ltd*[1] brings to light yet another facet of this interesting subject.

The question assumes importance because under the Constitution, states in India are empowered to tax only sales. They have no power to tax remuneration received under contracts for work or services.

the distinction

The question: how does one draw a distinction between the two is more easily asked than answered. Since each contract stands in a class by itself no universal and infallible test has been evolved by courts. While the assessee is more likely to try to escape legal liability to tax, the sales tax officer is more likely to take the opposite view.

Whether a contract is one or the other is largely one of fact depending on its terms, including the nature of obligations to be discharged thereunder and the surrounding circumstances. In a contract of sale, a chattel passes from the seller to the buyer as a chattel. That is, if the main object of the contract is transfer of property in the goods form from the seller to the buyer in which the buyer had no previous property, then the contract is one of sale. In a contract for skill and labour, such as a portrait made by a painter, what is of essence in the contract is work and skill, though incidentally some material passes to the buyer. In between there may be more categories which point either one way or the other. In all cases, therefore, it is a question of ascertaining the intention of the parties in entering into the contract.

a class by itself

The case of CIMMCO seems to stand in a class by itself. The assessee, a manufacturer of railway wagons, supplies wagons to the Indian railways according to certain specifications laid down by the buyers. An important term of the contract between the parties was that the railways agreed to reimburse the assessee sales-tax on the wagons supplied by it and the tax levied by the sales-tax authorities was accordingly reimbursed. But in the meantime, the Supreme Court in *Hindustan Aeronautics Ltd* v *The Commissioner of Commercial Taxes, Mysore*[2] held that on the terms of the contract in that case, supply of railway wagons to the railway board was a works contract not assessable to sales tax. Basing itself on this decision, the railway board demanded from the assessee refund of the tax hitherto reimbursed to it by the board because, the railway board alleged, on the analogy of this case, supply of wagons being a works contract, the assessee was not entitled to payment of sales tax by the railways. Also the board informed the assessee that in view of this decision, it would not henceforth reimburse sales tax.

What are the essential terms of this contract and do they stand on all fours with the case relied on? The essential terms of this contract are:

1. Payment for completed vehicles delivered by the contractor (assessee) to be made in two instalments, 90 per cent of which would be paid on completion of the wagon. On payment of this amount, the vehicles in question would be the property of the railways. (The remaining 10 per cent was kept as security deposit.)

2. For any defect arising out of use of inferior material or workmanship or from imperfect preparation or other default on the assessee's part the railway board was at liberty to ask the assessee to remedy the defect and could deduct that sum from money due to the assessee.

3. If steel of similar quality is obtained from other sources by the assessee, such quantities would be excluded from "on account" payment and no sales tax paid by ths assessee on such purchases would be reimbursed by the railways.

4. The assessee shall hold the material as trustee for government and use such material solely for the purpose of the contract and return all surplus of unserviceable materials after the completion of the contract on his being paid such price as government may fix.

the coverage

On these convenants, the question was whether the case was covered by the decision in the three cases of wagon manufacturers, namely, *Hindustan Aeronautics Ltd* v *The Commissioner of Commercial Taxes*,[3] *State of Gujarat* v *Kailash Engineering Co*[4] and *State of Gujarat* v *Variety Body Builders*[5].

These cases, said the Supreme Court, have no bearing on the present case in that in the first case, since all the materials used in the construction of a coach belonged to the railways, there could not be any sale of the coach itself. The difference between the price of a coach and the cost of material was the cost of service rendered by the assessee. No such clause is found in this case.

In the second case, the terms of the contract indicated that the assessee was not to be the owner of the ready railway coaches and the property in the bodies vested in the railways during construction. Therefore, the contract did not involve any sale. It was a contract for work and services.

Variety Body Builders unmistakably

showed that not only was the bulk of materials used in the construction of wagons but also labour was supplied by the railways. The contractor mainly supplied his labour and skill. Yet another clinching covenant was that in case of the contractor's death legal representatives of the contractor or the liquidator shall have no interest whatsoever in the works other than in respect of a claim for money due for work done under the contract and certain other claims.

Taking an overall view of the terms of the contract in the instant case, the court had little difficulty in coming to the conclusion that "the terms and conditions of contract indubitably lead to the conclusion that the property in the material procured or purchased by the company against the 90 per cent value of which advance is taken from the railway does not, before their use in the construction of the wagons, pass to the railway." Therefore, it was a sale and sales tax was rightly paid.

Turning to the important terms one finds:

(1) "On account" payment upto 90 per cent of the value of steel and other raw materials procured by the assessee showed that payment was a part of the full contract price for each completed wagon;

(ii) Restrictions as to the use and disposal of materials against which advance was taken gave a pre-emptive right to the government to purchase all surplus or unserviceable materials from the assessee. If the materials belonged to the railways, no question of purchasing the same from the assessee could arise;

(iii) The assessee became the owner of certain other materials by purchase and, therefore, in that capacity became liable to sales tax; but in the face of a covenant to the contrary that the railways would not pay sales tax on such material, it could not pass that liability to the railways;

(iv) There was no condition that the material purchased after drawing "on account" payment shall be the property of the railways. For any defect arising out of use of inferior material, the liability rested with the assessee. This presupposes that the inferior material was not the property of the railways but of the assessee.

In other words, with the exception of a relatively small proportion of the components, the entire wagon, including the materials at the time of its completion for delivery, was the property of the assessee.

This case is much nearer the case of *Patnaik & Co* v *State of Orissa*[6] in which bus bodies were built by the contractor on the chassis supplied by the government and the property in the bus bodies did not pass to the government till the chassis with the bus body was delivered at the destination.

In their very nature these contracts are in a class by themselves and the decision in each case, to put it in lawyer's language, turns on its own facts.

References

(1) Decided by the Supreme Court on April 6, 1977. per Sarkaria J.
(2) 29 STC 438.
(3) 29 STC 438.
(4) 19 STC 13.
(5) AIR 1976, SC 2108.
(6) 16 STC 369.

Railways must improve operational efficiency

Virendra Agarwala

Indian railways are both capital and labour intensive, says the author. The national economy largely depends on the effective service the railways render at reasonable cost. He points out that in 1969-70 the railways carried 207 million tonnes. After an additional investment of Rs 1,246 crores it had moved only 206 million tonnes last year.

MUCH WATER has flowed under the bridges of Indian railways. The new minister for Railways, Mr Madhu Dandevate, has stressed that he is determined to accord the highest priority to the needs and requirements of the masses. Several additional long-distance class-less 'Janata' trains are likely to be introduced in the coming years—which are sure to provide better amenities to the lower class passengers. Major twelve trains which are on electric traction will now have 18 to 20 coaches so that over-crowding is considerably reduced and the passengers are not required to remain on the waiting list.

The Railway minister deserves to be congratulated for having produced a surplus budget at the existing rates of fares and freight charges. Railway finances are in a good shape and he was not required to raise the freight and passenger fares. The platform ticket will now cost 30 paise—a reduction by 20 paise is a major concession. If the government is really interested to see that relatives and the people who receive their friends and sweethearts should do so with a smile on their faces, then the platform ticket in no case should cost more than 10 paise. This one step will not impair railways' operational efficiency but it can go a long way in building a popular image for the railways.

The railways should also try to function in such a way that freights and fares are brought to pre-emergency levels. Since 1966-67, Indian railways have accumulated losses worth Rs 539.61 crores. This is largely because they were mismanaged in a big way. The Railway minister's major concern should now be that the people are not required to pay higher freight charges and railway fares. It is reported that the railway budget produced a surplus of Rs 32.50 crores, as against the surplus of Rs 65 crores shown last year in spite of a promise of moving 11 million tonnes extra goods traffic and six per cent more passenger traffic. The minister has clarified that the budget this year has provided a little over Rs 225 crores out of the railways' own

resources. In 1976-77, the railways had drawn from the general revenues to pay the dividends and had also mopped up Rs 87.5 crores by hiking the freight rate. Railways' resources need to be so restructured that the most important things are accorded the highest priority.

Discipline must be maintained at all levels. It is widely appreciated that the railway employees who were victimised during the strike period in 1974 have not only been taken back to their original positions but amply rewarded. This does not mean that the railways will tolerate any misbehaviour on the part of the employees. The question of black-marketing in railway tickets is a nuisance which has put passengers to a great deal of inconvenience. It has now been entrusted to the Vigilance Commission to see that there is no collaboration between the black-marketeers and the railway workers. But the people of this country should not be expected to pay this penalty for the employees not being honest. It is a sad reflection on the trade unions and it is their primary responsibility to see that the railway workers are no longer in league with the black-marketeers and the government is not required to pay heavily on the expansion of the Vigilance Commission.

settlement of claims

The Railway minister has also promised that every claim would be settled within six weeks. If they are not settled in time, the railways will pay an interest at 10 per cent on such claims. The railways at present lose Rs 13 crores in a year because of thefts and pilferages. Ticket-less travelling is another phenomenon which needs to be brought under control. In spite of a large army of ticket collectors, the habit of ticketless travel is growing. The railways are spending Rs 34 crores on security police, but still there are on an everage 1,500 chain-pulling cases every day.

We have 132 unremunerative branch lines but every time we try to dismantle them, there is opposition from interested quarters. Railways are losing Rs 35 crores every year on these lines. With an investment of Rs 5,345 crores, it hardly earns a dividend of three per cent while the government borrows at 6½ per cent. The return was as low as 1.7 per cent just two years ago. The investment was Rs 4,099 crores in 1970-71. In five years, it has increased by Rs 1,246 crores. But with what results? In 1969-70, before additional investment took place on a large scale, the freight tonnage moved by Indian railways was 207 million tonnes. After this investment, last year, it moved 206 million tonnes. After investment of Rs 1,250 crores, the freight traffic has gone down from 207 to 206 million tonnes (revenue earning freight traffic). Railways have invested Rs 501 crores this year with the promise of moving 220 million tonnes goods traffic. It is fuller utilisation of resources made available to railways which can go a long way in improving their operational efficiency.

widespread conviction

The accumulation of railway indebtedness to general revenues is expected to touch the figure of Rs 440 crores at the end of the current year. There is a widespread conviction that investment on railways in the last eight to 10 years has not been optimally utilised. In the fourth Plan period alone, Rs 1,400 crores were invested to create a goods carrying capacity of 235 million tonnes with a lead of 640 km of originating traffic. The railways have still to reach that level of performance though many more hundred crores of rupees were committed and spent during the fourth Plan period. It is equally true that if the Plan targets of originating traffic had in fact materialised, the railways would have been found to be woefully lacking in their ability to handle it. This makes it imperative that an imaginative reorganisation and streamlining of the entire railway system should be undertaken immediately. It is widely appreciated that the Janata government can hardly improve within a period of a few weeks what the Congress government had bungled over the last 30 years.

The number of persons employed in railways in 1971 was 1.36 million. Now it is 1.43 million. The western railways with the route mileage of 10,000 has 1,80,000 employees. The railway budget for 1976-77 had placed a specific amount to be met from economies in expenditure. It is argued, that this year's working expenses are going up by Rs 87.52 crores—a five per cent annual increase as against six to seven per cent increase in previous years. The railways recruit 12,000 to 15,000 workers every year which is justified by the requirements. It is not correct to say that railways have more than forty per cent surplus staff. It is true that 12,000 workers have been reinstated while the loyal workers were entitled to have their close relations employed in the railways. A two per cent waste is insignificant in such a large organisation. What the railways should immediately do is to make a critical analysis of what each employee actually does and the amount of work done every day.

The railway plan for the year 1977-78 has been reduced from Rs 501 crores to Rs 480 crores including Rs 10 crores for the Metropolitan Transport Projects in Bombay, Calcutta, Delhi and Madras. No reduction has been made in allocation for new lines. The construction of 25 railway lines is in hand and three new lines have been included in the budget. The Railway minister has broken new ground listing a number of steps planned to improve operational efficiency.

railway board

Certain recommendations of Administrative Reforms Commission were accepted as early as 1972-73 but little has been done for restructuring the Railway Board.

The Railway minister has found it appropriate not to elaborate which recommendation he proposes to implement. It is widely appreciated that the Railway Board has now been made responsible for decision making. What is urgently needed today is that the general managers of various zonal railways are placed at par with the members of the Railway Board while the board needs to be so reconstituted that it has eight members handling mechanical, civil engineering, traffic, staff, finance, electrical and management services. It has also been suggested that the Railway Board should be wound up and the old Railway Act replaced early. Several radical changes at the top need to be introduced at the earliest which can place the railway on the right track.

Railways are both capital and labour

intensive industry. The success of the national economy largely depends on the extent railways are in a position to render effective service at reasonable cost to the people. Probably Indian railways are the only organisation in the world which are able to earn its own working expenses and depreciation and still pay some return on capital invested from the general revenues.

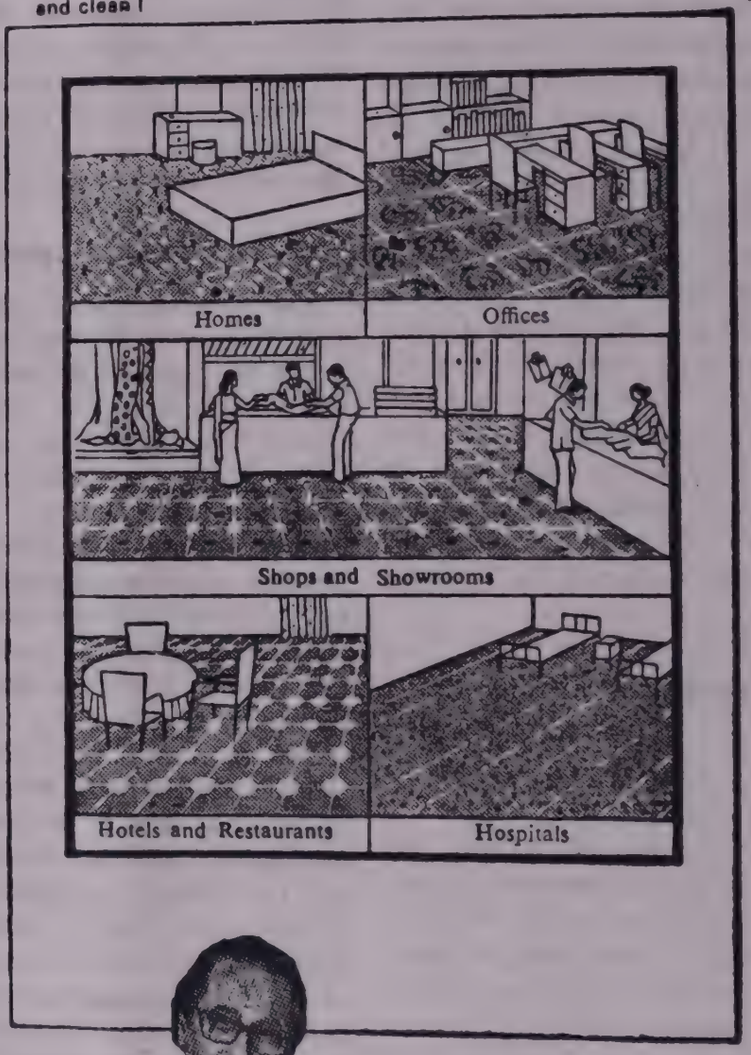
dynamic leadership

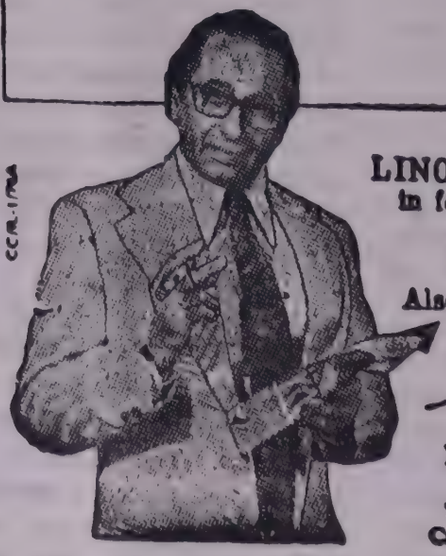
We owe deep gratitude to the railway workers who at comparatively low wages serve the nation so effectively. If railways maintained punctuality of 92 to 94 per cent during April-May this year the credit goes to none but to the workers who have really made its functioning worthwhile. More than 150 trains have recently been speeded up which implies that long distances are covered in shorter number of hours. If the railways are expected to improve its operational efficiency then the workers' welfare must be accorded the highest priority. It is their sense of leadership and direct participation in the management which can resolve many of its chronic ailments. It is the farsightedness and dynamism of the Railway minister which can ensure a healthy relationship with the workers at all levels.

We must feel proud of Indian railways—the largest public undertaking with total assets of Rs 5,345 crores. It is Asia's largest rail system and the fourth largest system in the world. It is the second biggest system in the world under a single management. In 1976, it carried 233.3 million tonnes of freight. During the same year it carried 2,946 million passengers between 7,056 stations and 11,000 trains covered a distance of 1.3 million km. It means going round the earth's circumference 1½ times or equal to three and half times distance to the moon. It is the railways' responsibility to provide basic amenities to the passengers. What we urgently need today is a national transport policy which must be dovetailed with the integrated area development plans. This can be a sure strategy to place the railways on the track.

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Turning Iran into land of petrochemicals

Hoshang Nemazee

Iran is currently making a strong bid to become one of the world's largest producers and exporters of petrochemicals in the next ten years. One billion dollars are planned to be invested every year in this industry. In this article, reproduced by courtesy of KAYHAN INTERNATIONAL (June 25, 1977), Hushang Nemazee, discusses some of the petrochemical programmes already launched in the country in collaboration with Japanese and US enterprises.

ONE BILLION dollars a year will be spent on establishing new petrochemical complexes and on expansion of existing ones in a strong bid to make Iran one of world's leading petrochemical producers and exporters within the next decade.

The figure is one-twentieth of Iran's income from oil exports and is an indication of the seriousness of Iranian authorities in channelling funds and personnel in an industry which, one expert predicts, will overtake oil in revenue earnings by 1992.

There are scores of dedicated men working at least 6 hours a day in desert conditions of southern Iran to bring to fruition the gigantic undertaking that is shaping into a unique world experience in magnitude and costs.

WINDOW ON THE WORLD

"There are unlimited numbers of items that can come off the line. Petrochemicals can produce 70,000 items. It's a big challenge to us and we are beginning to ride the crest," deputy managing director of the Iran-Japan Petrochemical Company (IJPC), Valiollah Fassa, told a group of Iranian and foreign journalists visiting the sites.

The joint Irano-Japan undertaking is the biggest of its kind in the world and involves nearly $2 billion. The 13-unit project is being built on 2.6 million square metres of land in Bandar Shahpour with 1.3 million cargo tons of machinery used at the site or roughly one-tenth of Iran's machinery imports.

Japan has provided the biggest credit earmarked for a project outside Japan and five Japanese companies have pooled their resources for 50 per cent of the shares—Mitsui, Mitsui Toatsu Chemicals, Toyo Soda Manufacturing, Mitsui Petrochemical Industries and Japan Synthetic Rubber Co.

The presence of the Japanese here is more conspicuous than in the other joint ventures in Abadan.

"The Japanese are coming," was a voice raised by Fassa. Some 850 Japanese are currently employed and their number will increase to a whopping 3,000 in a project that will eventually recruit 12,000 people by the end of 1978.

Some 2,500 people are hammering in over 50,000 concrete piles at the construction site near the harbour where two jetties are coming up to handle 1.4 million tons of cargo a day. Eventually 260,000 tons of cement will be used in the project.

The pipes that will go into the project can stretch from Tehran to Rome if placed end to end.

The IJPC is expected to produce 3.5 million tons of basic and intermediary petrochemical products each year, with daily sales of over $2 million at full capacity by the end of 1979. Production exceeding local demand will be sold in the international market by the Japanese. Total turnover is estimated at $800 million in 1984.

sub-normal conditions

The dedication of the men working in sub-normal conditions is exemplified by a statement by Fassa when a foreign correspondent asked him about the lack of roses in the desert area :

"You say Iran is the land of roses. One day you will say it is the land of petrochemicals."

But IJPC is not the only petrochemical complex in Bandar Shahpour. The Shahpour Chemical Company is producing among other things 150,000 tons of sulphur every year and an equal amount of ammonia. What is not being consumed at home is being exported to the Mediterranean region, east and south Africa, India and, very recently to Central America.

But 40,000 tons of petrochemicals is still being imported by Iran at present and plans are to expand the existing complex by 85 per cent, according to plant manager Ahmad Kusha, who has 18 years of experience in the field.

Kusha, 45, aims to raise the 1.5 million-ton a year production to 3.2 million tons by the end of 1978 when the plant will operate at full capacity.

Some 2,200 men are employed at the complex, including 70 Indian engineers and storekeepers. Lack of infrastructural

Cadbury

This is only an announcement a

Cadbury India Limited

(Incorporated on 19th July, 1948 under the Indian Compan

REGISTERED OFFICE : Cadbury House, Bhulabhai Desai Road, Bombay 400 026.

Announcement regarding the issue of 8,50,00 of Re. 1/- pe

Application has been made to the Bombay Stock Exchange for permission to deal in and for an official quotation for the equity shares of the Company.

The subscription list will open at the commencement of banking hours on Monday, the 25th July, 1977 and will close at the close of banking hours on Thursday, the 4th August, 1977 or earlier at the discretion of the Board of Directors of the Company, but not before the close of banking hours on Wednesday, the 27th July, 1977.

Copies of the prospectus and application forms may be obtained from the Registered Office of the Company and from the brokers, underwriters and bankers to the issue whose names and addresses are given below.

HISTORY AND BUSINESS OF THE COMPANY

Introductory

The Company is a wholly-owned subsidiary of Cadbury Schweppes Overseas Limited, U.K. After the issue of these shares Cadbury Schweppes Overseas Limited and its nominees would hold 60 per cent of the total capital of the Company.

HISTORY

Cadbury has been associated with India for over 50 years as dealers in and importers of cocoa based food drinks, chocolates, chocolate confectionery and food products of quality. In July 1948, with the incorporation of Cadbury-Fry (India) Private Limited, now known as Cadbury India Limited, Cadbury identified itself more positively with the Indian market and the needs of the consumer.

Production facilities were set up, which culminated in the establishment of a modern plant at Thane for the manufacture of the Company's products. From a mere importer and trader, the Company is now the foremost manufacturer in the country of cocoa based food drinks, chocolates and chocolate confectionery.

OBJECTS OF THIS ISSUE

The Reserve Bank of India has granted a licence to the Company in accordance with the provisions of Section 29 of the Foreign Exchange Regulation Act, 1973 to carry on business in India provided, inter alia, the foreign shareholding of the Company is reduced to 40 per cent on or before 7th May, 1978. The principal object of the issue is thus to move towards meeting the said condition of the Reserve Bank of India. The present issue will reduce the foreign shareholding of equity shares in the capital of the Company to 60 per cent. After the present issue is completed, the Company will comply with the said condition imposed by the Reserve Bank of India and take steps to reduce the foreign shareholding further.

EXISTING AND PROPOSED ACTIVITIES

The Company presently carries on the business of manufacture, sale and distribution of malted foods and other processed foods. It also exports malt extract and marine processed products.

The Company has been investigating several projects for expansion and diversification as follows:

Manufacture of Malt Extract

The Company has received a Letter of Intent from the Government of India for the manufacture of 2,500 tonnes of Malt Extract. In 1976, the Company manufactured 2,170 tonnes of Malt Extract, 50 tonnes of which were exported. The balance was used in the manufacture of the Company's products. The Company will take steps to convert the Letter of Intent into an Industrial Licence.

Manufacture of a Cocoa Butter Substitute and Apple Juice Concentrate

The Company has also applied for the grant of industrial licences to manufacture a cocoa butter substitute, which will be an export oriented project and for the manufacture of an apple juice concentrate in the State of Jammu and Kashmir.

Manufacture of Marine Processed Products

The Company has received a Letter of Intent from the Government of India for the manufacture of 3,000 tonnes of marine processed products. The Company has made representations to the Government for the modification of the terms of the Letter of Intent as regards the location of the operations and the restriction on the Company processing other people's catch.

FACTORIES

The Company's factories are located at Panchpakhadi, Thane, and at village Induri, Dist. Pune, both in the State of Maharashtra.

SHARE CAPITAL

		Rupees
Authorised		
40,00,000	Equity Shares of Rs. 10/- each	4,00,00,000
Issued, Subscribed and Fully Paid-up		
14,90,515	Equity Shares of Rs. 10/- each	1,49,05,150

The entire issued, subscribed and paid up capital is beneficially held by Cadbury Schweppes Overseas Limited of United Kingdom.

Present Issue		
9,93,677	Equity Shares of Rs. 10/- each at a premium of Re. 1/- per share for cash	99,36,770
Reserved for Allotment		
1,43,677	Equity Shares of Rs. 10/- each for cash at a premium of Re. 1/- payable in full on application have been reserved for allotment to the Directors, friends and employees of the Company who are Indian nationals and resident in India, subject to a maximum of 500 equity shares per person	14,36,7

If any of these shares are not taken up they will be available for meeting applications from the Public.

Now Offered for Public Subscription for Cash		
8,50,000	Equity Shares of Rs. 10/- each at a premium of Re. 1/- per share	85,00,0

Total Proceeds of the Issue

The total proceeds of the issue inclusive of premium of Re. 1/- per share will amount Rs. 1,09,30,44/.

TERMS OF PAYMENT

Per Share on Application	Rs. 6	Rupees 5 on acco of nominal value a Rupee 1 premium
Per Share on Allotment	Rs. 5	Balance of nomina value

BOARD OF DIRECTORS

1. Shri Prem Pandhi Chairman
2. Shri Donald Wallace McPhie Managing Director
3. Shri Behram Burjorji Unwala
4. Shri Avtar Krishan Bahl
5. Shri Madhav Laxman Apte
6. Shri John Peter Gregory
7. Shri David Sinclair Wood

BANKERS TO THE ISSUE

State Bank of India, Bombay Samachar M Bombay 400 023. Or any of its Main Offices Ahmedabad (Bhadra), Bangalore (St. Ma Road), Baroda (Mandvi), Bhopal (Sult Road), Calcutta (Strand Road), Coc Coimbatore, Hyderabad (Bank Street), Ind Jaipur, Jammu, Kanpur, Madras, (1st Beach), New Delhi (Parliament Street), and Trivandrum.

American Express International Banking Co Oriental Bldg., Dr. D.N. Road, Bombay 400 Or any of its Main Offices at: Calcutta Courthouse Street) and New Delhi (Conna Place).

Bank of America, Express Towers, Nar Point, Bombay 400 021. Or any of its Offices at: Calcutta (India Exchange Place Madras (Mount Road).

Bank of India, 70-80, Mahatma Gandhi Bombay 400 023. Or any of its Main Offic

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quity Shares of Rs. 10/- each at a premium re for cash.

medabad (Bhadra), Baroda (Raopura), cutta (N.S. Road), Ernakulam (Shanmugam ad), Hyderabad (Sultan Bazar), Madras abalu Chetty Street), New Delhi (Parliament et), Nagpur (Kingsway), Pune (Elphinstone ad), Panaji (Rua De Ormuz) and Surat npith, Lalgate).

k of Maharashtra, 45-47 Bombay Samachar rg, Bombay 400 023. Or any of its Main ces at: Ahmedabad (Bhadra), Bangalore y Market), Calcutta (N.S. Road), Madras oadway), New Delhi (Connaught Place), gpur (Sitabuldi) and Pune (Bajirao Road).

tral Bank of India, Mahatma Gandhi Road, nbay 400 023. Or any of its Main Offices at: medabad (Lal Darwaja), Amritsar (Katra luwalia), Bangalore (Kempegowda Road), cutta (N.S. Road), Chandigarh (Sector B), Hyderabad (Bank Street), Indore (Cloth rket), Lucknow (Hazratganj), Madras cond Line Beach), New Delhi (Parliament eet), Patna (New Dak Bungalow) and Surat ahatma Gandhi Road).

ndlays Bank Ltd., Lloyds Branch, Dr. D. N. ad, Bombay 400 001. Or any of its Main ices at: Bangalore (Mission Road), Calcutta S. Road), Madras (N.S. Bose Road), New hi (Parliament Street) and Srinagar.

aya Bank Ltd., Excelsior Branch, Raveline eet, Bombay 400 001. Or any of its Main ices at: Ahmedabad (Relief Road), ngalore (Residency Road), Calcutta (N.S. ad), Coimbatore (Oppanakara Street), dras (Mount Road), New Delhi (Connaught cus), Mangalore (Light House Hill Road) l Udipi.

NDERWRITERS TO THE ISSUE

e present issue of 8,50,000 equity shares has n fully underwritten by the following:

Banks

te Bank of India, Madame Cama Road, mbay 400 021.

indlays Bank Ltd., 90 Mahatma Gandhi ad, Bombay 400 023.

e Chartered Bank, 25 Mahatma Gandhi ad, Bombay 400 023.

nk of India, Express Towers, Bombay 400021

ntral Bank of India, Chander Mukhi, riman Point, Bombay 400 021.

aya Bank Ltd., 84, Veer Nariman Road, mbay 400 020.

nk of Maharashtra, Maharashtra Bank dg., 1177, Budhwar Peth, Pune 411 002

Institutions

vestment Corporation of India Ltd., Ewart use, Homi Modi Street, Bombay 400 001.

dustrial Investment Trust Ltd., 61, Bombay machar Marg, Bombay 400 023.

iii) Brokers

Bombay

Batliwala & Karani, Union Bank Bldg., Dalal Street, Bombay 400 023.

Bhupendra Champaklal Devidas, Regent Chambers, Ceremonial Boulevard, Nariman Point, Bombay 400 021.

Chimanlal Maneklal, 45, Tamarind Lane, 11, Motilal Mansion, Bombay 400 023.

Dalal & Broacha, Stock Exchange Central Bldg., Dalal Street, Bombay 400 023.

D. S. Purbhoodas & Co., Stock Exchange Bldg., Bombay Samachar Marg, Bombay 400 023.

Harish Chandra Gutt & Co., 45/47, Bombay Samachar Marg, Bombay 400 023.

Jamnadas Morarjee & Co., 5A, Hamam Street, Bombay 400 023.

Jasvantlal Chhaganlal, Bhupen Chambers, 9/10, Dalal Street, Bombay 400 023.

Jasvantlal Chhotalal & Co., Bhupen Chambers, Dalal Street, Bombay 400 023.

Lewis & Jones, Bank of Baroda Bldg., Bombay Samachar Marg, Bombay 400 023.

L. K. Panday, 45-47, Bombay Samachar Marg, Bombay 400 023.

Merwanjee Bomanjee Dalal, Allahabad Bank Bldg., Bombay Samachar Marg, Bombay 400 023.

Narandas & Sons, Union Bank Bldg., Dalal Street, Bombay 400 023.

Porecha Brothers, 19, Stock Exchange New Bldg., Bombay Samachar Marg, Bombay 400 023.

Prabhudas Lilladher, 5A, Hamam Street, Bombay 400 023.

Valji Bhimji & Co., 24, Stock Exchange Central Bldg., Dalal Street, Bombay 400 023.

Delhi

Behari Lal & Co., Stock Exchange Bldg., Asaf Ali Road, New Delhi 110 002.

Bharat Bhushan & Co., H-45, Connaught Place, New Delhi 110 001.

Bhupendra & Co., 49, Stock Exchange Bldg., Asaf Ali Road, New Delhi 110 002.

Harbansingh Mehta & Co., 33, Regal Bldg., Parliament Street, New Delhi 110 001.

H. P. Mehta & Co., 304, Surya Kiran, 3rd Floor, Kasturba Gandhi Marg, New Delhi 110 001.

Jalan & Co., Stock Exchange Bldg., Asaf Ali Road, New Delhi 110 002.

J. C. Mehta & Co., 44, Stock Exchange Bldg., Asaf Ali Road, New Delhi 110 002.

Surinder Rode & Co., 3, Stock Exchange Bldg., Asaf Ali Road, New Delhi 110 002.

Vinod Kumar & Co., A-6, Connaught Place, New Delhi 110 001.

V. N. Bhasin & Co., 35, Netaji Subhas Marg, New Delhi 110 002.

Calcutta

C. Mackertich, 7, Lyons Range, Calcutta 700 001.

G. M. Pyne, 14, India Exchange Place, Calcutta 700 001.

M. M. Murarka & Co. 7, Lyons Range, Calcutta 700 001.

Place, Siddons & Gough Pvt. Ltd., 6, Lyons Range, Calcutta 700 001.

Stewart & Co., 14, India Exchange Place, Calcutta 700 001.

Madras

Chitra & Co. Post Box No. 1557, 322/323, Linghi Chetty Street, Madras 600 001.

Paterson & Co., Vanguard House, 3rd Floor, 11/12, Second Line Beach, Madras 600 001.

Bangalore

Jahgirdar & Co., 21, 2nd Main Road, Seshadripuram, Bangalore 560 020.

M. Nanjappaiah Jahgirdar, 205, Cavalry Road, Post Box No. 4271, Bangalore 560 042.

Vijai & Co., 9, Eleventh Main Road, Malleswaram, Bangalore 560 003.

Ahmedabad

Champaklal Bhailal Chokshi, Manek Chowk, Near Share Bazar, Ahmedabad 380 001.

Laxminarayan N. Gupta & Co., Anandji Kalyanji Building, Opp. Dhanasutar's Pole. Relief Road, Ahmedabad 380 001.

Hyderabad

P. B. Afzulpurkar, 4-5-195, Sultan Bazar, Hyderabad 500 001.

Indore

Pushkarlal Ghudawala, 44, Bada Sarafa, Indore 452 002.

BROKERS TO THE ISSUE

The underwriters listed under the heading 'Brokers' have also agreed to act as Brokers to the Issue.

Issue Opens on	**25-7-1977**
Issue Closes on	**4-8-1977**
But Not Before	**27-7-1977**

ISSUE MANAGED BY
STATE BANK OF INDIA
Merchant Banking Division

CASC. 16-258

facilities means those working here avail of 25 per cent more pay. The payroll is 150 million rials every month.

The complex is one of the few petrochemical projects that have more power than they can use. An old generating plant provides 42 MW of power while a new plant is generating 30 MW although only 50 MW is needed.

The company was established in 1966 by the National Petrochemical Company of Iran, a wholly owned subsidiary of NIOC, in partnorship with Allied Chemical Corporation of the United States, which was phased out by mutual agreement in 1973. The American share was only $20 million.

The focal point of activity at the complex is a man-made peninsula in the mudflats near the ports of Bandar Shahpour and Bandar Mahshahr and is ideally situated near raw materials and transport facilities—gas from Masjid Suleiman, water from the Karun river, manpower resources and housing facilities at Mahshahr, road and rail links with the hinterland and sea links with the outside world at Bandar Shahpour.

The huge complex, completed in 1969, currently produces 1,200 metric tons of sulphur per day, 1.400 tons of sulphuric acid, 500 tons of phosphoric acid, 600 tons of diammonium phosphate, 1,000 tons of ammonia and 650 tons of urea.

The complex uses up nearly 70 tons of phosphate rock per hour in the production of phosphoric acid and diammonium phosphate. The rocks are currently imported from Florida, USA.

Attractive phosphate deposits have been found in the central and northern parts of Iran and close to Bushahr which will be exploited for future projects within the next five to 10 years. Already some $350 million have been poured into the project which will eventually cost $2 billion.

Profits from this complex alone are expected to triple this year and reach a record $100 million.

If the Shahpour complex has an excess of power to run the plant, the Iran-Nippon Petrochemical complex is having acute problems with power shortage.

The company was established with the National Petrochemical Company, owning half the shares, and two Japanese firms holding the other half –Mitsubishi Chemical Fertiliser and Nissho-Iwai Company. Mitsubishi installed the equipment within 30 months and the plant went into operation on July 8 last year.

The project is being implemented in two phases at Bandar Shahpour, the first phase requiring an investment of $85 million and the second estimated to cost $120 million. The products of the company will be used by the domestic plastic and paint industries.

The raw materials are currently being imported from the United States, Europe and Japan, and the end product is expected to hit the market by 1978-79. The plant will produce 40,000 tons of DOP and 5,500 tons of pthalic anhydride at full capacity.

Plant manager Alireza Dorreh, who has been with the NIOC for 26 years, says his big challenge is running the plant despite repeated power failures.

"We need 5.5 MW of power to run the plant but have cut this amount to three MW by curtailing lighting. When power fails or voltage drops the equipment shuts off automatically with only the 1.5 MW generator operating to keep emergency equipment running while the others are shut," he said.

US policy towards foreign investment

The US under-secretary of state for Economic Affairs, Mr Richard N. Cooper, stresses that multinationals should seek methods of transferring their valuable skills to the task of natural resource development abroad while respecting the desires of the host countries to preserve national patrimony over the resources in question.

THE VIEW of the United States of multinational corporations as playing a positive role in the global economic system has not gone unchallenged. Some critics have asserted that foreign investors use inappropriate technology in the host countries of the Third World, destroy jobs, collect excess profits, and leave poverty and misery in their wake. More recently, other critics have alleged that multinationals take away capital from their home countries in the developed world, give away technology, export jobs, and leave poverty and misery in their wake.

However, the closer the US government looks at the evidence the more firmly it remains convinced that a liberal international economic system, permitting broad flows of foreign investment across national boundaries according to economic forces, offers the best hope for stable economic growth—in the Third World, in other developed countries, and in its own society.

It believes that American companies have a distinctive contribution to make to Third World development. They can offer not only capital but important managerial, technical and marketing skills that cannot be supplied through aid mechanisms or through foreign trade. It, therefore, regards it as a contribution to development to provide services to facilitate the flow of US private investment to those developing countries that want it through the Overseas Private Investment Corporation (OPIC) and other US government agencies.

But foreign investment can be effective only if it is truly acceptable to the host country. It is not the policy of the US government to insist that other countries let American investors in. Nor does it try to dictate the terms under which others should receive American companies. It respects the right of every sovereign government to establish conditions for foreign investment that will best meet its own development needs. But all governments must realise that private investment is a matter of choice for the firm as well as for the host country Corporations will tend to locate their activities where they can earn profits and expect to continue to earn profits.

The US government does not view the

esire of Third World governments to xercise some degree of control over oreign investors, however, as a fundamenl threat to continued investment by merican companies. Many countries in atin America, Africa and Asia are indiating that they want more—not less—US nvestment. They are realising that the esire to maintain their sovereignty does ot limit them to autarchy with respect o foreign investment any more than it oes with respect to foreign trade. They re becoming increasingly sophisticated n designing policies to channel multiational corporate resources into those reas where they are most wanted and in etting the most out of what multinational orporations have to offer. They are harpening their bargaining skills, and nore fully realising their bargaining power. n investment issues, as elsewhere, rhetoic is slow in catching up with reality.

appropriate technology

One source of increased bargaining trength on the part of the Third World overnments comes from their sharing of nformation on what kinds of policies are nore effective, and what kinds of policies re less effective, in attracting foreign nvestment and directing it to serve host ountry needs. One of the surest ways to uard against what they consider excess rofits for foreigners (or anybody else), or example, is to lower trade barriers and ncrease competition in domestic markets. ne of the most effective ways to induce ultinational corporations to shift from apital-intensive to "more appropriate" abor-intensive production techniques, as study prepared for the UN group of minent persons studying transnational nterprises pointed out, is to lower trade arriers and increase competition in domesc markets Probably the most forceful ethod of keeping foreign investors "under ontrol" is through the impersonal disipline of the market. The US government hinks that no mechanism for international egulation will be as effective in keeping he power of multinational corporations anageable as the difficult decision on the art of host country governments to inease competitive pressures domestically.

The projection of the US government hat American investment in the Third World will continue to grow springs also from its confidence that US corporations are highly flexible and adaptable. These virtues have frequently been the key to their success at home as well as abroad. American corporations have been, and will have to continue to be, enterprising in discovering how to provide their valuable skills and services in ways consistent with the national aspirations of the countries where they are located. This adaptability is particularly important in natural resource development where the traditional method of direct equity ownership leaves the investor with a large fixed investment extraordinarily vulnerable. Making a virtue of necessity, some companies have shifted from direct equity investment to management contracts, service contracts, or other forms of non-equity participation. These leave them less vulnerable economically and politically in the Third World. Other companies call on the US government to give natural resource investors more direct support, protection and guarantees to bolster their traditional mode of operation.

national patrimony

It seems to the US government that the more secure course of action is for multinationals to seek methods of transferring their valuable skills to the task of natural resource development while respecting the desires of the host countries to preserve national patrimony over the resources in question. The feasibility of management contracts, service contracts, and other non-equity arrangements has already been demonstrated in oil and mineral projects in the Third World. The Overseas Private Investment Corporation has a particularly useful role to play in helping US investors and host countries to work out mutually-acceptable arrangements.

No matter how flexible and adaptable American companies are, however, there will inevitably be some investment disputes between foreign investors and host governments. On the one hand, the US government has no desire to take an interventionist stance in dealings with other countries. It assumes that private investors will weigh carefully their vulnerability to political risk as part of the economic calculation they make when they are deciding whether or not to invest in any particular country, and some will conclude that their efforts are better exerted elsewhere. Moreover, it is anticipated that more investment disputes that do occur will be settled with the host country without the need for the US government intervention. Indeed, many businessmen tell the US authorities that official intervention on their part can be counterproductive. On the other hand, the US government has an obligation to protect the rights of its citizens and their property abroad. Thus, it expects to keep itself of closely informed about the course of investment disputes that do arise and where necessary will offer its assistance.

The US government seeks to make its approach to inward investment consistent with the approach to outward investment. Its attitude is to welcome foreign investment into the country. Such foreign investments assume considerable importance in terms of their potential for increasing the welfare of the US citizens, including, although few people realise it, the transfer of technology. The official policy at the federal level, however, is neutrality. The government extends to foreign companies no special privileges and prefers to let them make their market decision on the basis of economic incentives.

common goal

In conclusion, it may be observed that international financial markets, multilateral lending agencies, and foreign aid disbursements cannot, and never will be able to, provide the talents and the skills that only the international business community can. All can benefit from the activities of foreign investors—Third World countries, advanced industrial countries and the United States. All have a stake in ensuring that international flows of capital, goods, services and technology continue to move competitively according to fundamentally liberal economic principles. Particular interests may be served by adopting more restrictive measures here, more protective measures there. But the greater interest of all is best served by the continuing struggle to preserve and expand an open international economic system.

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MOVING FINGER

On July 18, the Deputy Speaker of Lok Sabha ruled that a *prima facie* case existed for referring to the committee of privileges a complaint from a member of the House that Mrs Gandhi had committed a breach of privilege through her public statement of July 15 refuting the charge that there was some "thinking" about shooting down in jail opposition leaders detained during the emergency. The grievance of the Janata MP in question was that Mrs Gandhi had phrased her denial in a manner "contemptuous" of the speech which the Home minister had made in Lok Sabha on July 13, alleging that there was some thinking (*vichar*) about shooting top leaders, including Mr Jayaprakash Narayan, during the emergency, as was done in the Dacca jail. The MP had also taken objection to Mrs Gandhi "imputing motives" to the minister, while criticising the observations made by the latter on the floor of the House.

It may be inferred that this complaint of breach of privilege does not imply the calling into question of Mrs Gandhi's right to defend herself or the government of which she was prime minister against the Home minister's allegation by means of a public statement. All that the complaint is concerned with, presumably, is the manner or the language of the denial. Since this issue has been referred to the privileges committee and the committee's ruling, when given, will hold the field, my commenting on the merits of the complaint of breach of privilege might land me in a predicament similar to the one which Mrs Gandhi now finds herself in. At the same time, it is necessary and proper to make it clear that Mrs Gandhi really had no alternative to taking notice of the charge made by the Home minister since people, at home or abroad, would have been tempted to draw their own conclusion had she chosen to keep mum. In this case, silence would have meant the acceptance of guilt and so long as Mrs Gandhi believes or wants the world to believe that there is no reason for her saying *mea culpa*, she cannot afford to let accusations of the kind made by the Home minister go unchallenged.

Now that I have per- mitted myself some Latin, I may perhaps explain that, however vivacious or versatile the English language may be, there could still be occasions when our stronger emotions need the vehicle of more exotic tongues. Hence S.M.'s passionate arraignment, I suppose, of Mrs Gandhi as the *fons et origo* and the *primum mobile* of the emergency, in the "Editor's Notebook" of *The Indian Express* of July 19. At this rate, Mrs Gandhi may soon qualify for a Guinness listing as the woman who has been scolded in the largest number of languages since Babel succeeded in sorting itself out. Not that S.M. does not want to be fair. In fact, no other journalist that I know of tries so hard for so much of the time.

For instance, not even the risk of a breach of privilege motion against him has deterred S.M. from suggesting, although not in so many words, that any insinuation that "the thought of putting away some of the opposition leaders permanently" crossed Mrs Gandhi's mind could be dismissed outright as outrageously unbelievable. So much for Mr Charan Singh's *vichar*.

Not that the Home minister has enhanced the credibility of himself or the government of which he is a member by the casual manner in which he spoke of there having been some plotting of the assassination of political prisoners. An accusation of such grave import ought not to have been made by any responsible person—let alone the Home minister of the central government—unless some respectable evidence, documentary or other, could be produced simultaneously to lend colour to the charge. Mr Charan Singh did not claim that he had any such evidence in his possession. On the contrary, he promptly took refuge in convenient vagueness by "clarifying" that there was no "proposal" as such, but only *vichar*, whatever that may mean.

The public has learnt that it cannot expect politicians to be pure even in word or deed. Now, we find that one politician is aggrieved that other politicians have allegedly not been pure in *thought*, word and deed. In law, a crime is held to have been committed only when an act has been attempted or accomplished in pursuance of a criminal intent. In any case when the government itself has set up a commission to inquire into the declaration of emergency and the excesses committed in the wake of it or under its cover, it is surely incumbent on ministers of the government, in the first instance, to place before that commission allegations of the kind made by the Home minister provided they believe that there are grounds justifying an investigation.

If this necessary restraint is not observed or sense of responsibility displayed, the only result would be that Congress leaders, such as Mr Y.B. Chavan, would find it less difficult to win public sympathy for their pleading that their party and its leadership are the victims of a campaign of vilification. There is also the risk that the maladroitness exhibited by the Home minister in this case might encourage Janata juveniles, such as Mr Subramaniam Swamy, to reduce to a farce by their blustering irrelevancies the grave national concern with the due punishment of the criminals of the emergency for their actual (and not fancied) crimes against the people.

VB

TRADE WINDS

UK Assistance

MRS JUDITH Hart, the British minister for Overseas Development, announced in New Delhi recently the provision of further British aid of £144 million (Rs 216 crores) to the government of India. Five grant agreements covering this commitment will be signed later this year. The five grants are: (a) A maintenance grant of £70 million (Rs 105 crores). This will be used by India for the purchase of British goods and services covering a wide range of items required to maintain existing productive capacity in both the public and private sectors. (b) A mixed project grant of £30 million (Rs 45 crores). This will provide for the foreign exchange needs this year of several large British-aided projects mostly taking several years to complete. (c) A capital investment grant of £20 million (Rs 30 crores). This will be used to provide UK capital goods required in both the public and private sectors. Some of the aid will be channelled through Indian financial institutions. (d) A sectoral grant of £20 million (Rs 30 crores) to assist the development of certain key sectors of the Indian economy through the provision of British goods and services. So far allocations have been made to the electric power and coal mining sectors. (e) A debt-refinancing grant of £4 million (Rs 6 crores), representing the British contribution to a debt relief scheme agreed by members of the Aid India Consortium. Unlike other British grants to India, it is not tied to the purchase of British goods and services and provides a direct supplement to India's foreign exchange reserves.

Last year British aid grants to India amounted to £92 million (Rs 138 crores). India is the largest single recipient of British aid, receiving nearly one-fifth of the total aid programme and one-quarter of British bilateral aid. At the recent World Bank Consortium meeting in Paris, the UK announced that its disbursements of aid to India this year are likely to total £140 million (Rs 210 crores). In line with the British government's aid policy towards those countries with the lowest per capita incomes, British aid to India has been on grant terms since 1975. Even before that India received very soft loans with a 75 per cent grant element.

Air India

Air India is organising Indian Ocean cruises for tourists in collaboration with the Shipping Corporation of India. According to the annual report of the ministry of Tourism and Civil Aviation for 1976-77, negotiations were in progress with the Shipping Corporation of India for a vessel with Indian registration. The marketing and sales will be handled by Air India. Among other steps taken by Air India to promote tourism, was the introduction of a weekly service to Seychelles en route to Mauritius. An excursion fare from Bombay to Seychelles was also being worked out to attract and accelerate tourist traffic.

Some of the major changes in Air India's operation introduced during the year were the increase in the frequency to Gulf countries from 11 to 14, introduction of Boeing-747 (Jumbo) services on India-Australia route, extension of the twice weekly Moscow service to London, introduction of a non-stop Boeing-747 fast flight from London to Bombay and linking of Baghdad on one of the Gulf frequencies. Air India closed the year 1975-76 with a net profit of Rs 6.35 crores, the highest ever achieved by the corporation.

Indian Airlines

Indian Airlines also made a net profit of Rs 7.79 crores during the year. The airline netted Rs 11.77 crores in foreign exchange. To improve safety of air travel, Indian Airlines constituted a flight safety committee to have a proper control over accidents and incidents to IA aircraft and for obviating recurrence of such accidents and incidents. Following an agreement on the restoration of airlinks between India and Pakistan, regular operations between the two countries commenced from July, 1976. The air services to Kabul from Delhi and Amritsar were resumed in the following month, after conclusion of a new pool agreement with the Afghan Airline, Ariana.

Power Plan

The Janata government proposes to achieve self-sufficiency in power by the end of the sixth Plan. An action plan to achieve this end is being drawn up with the help of experts, Energy minister P. Ramachandran stated recently. He added that the major reason for the current power shortage has been identified as lack of pre-planning and delayed starting of projects and paucity of funds. The power sector also lacked proper organisation to implement the programme, he said.

Mr Ramachandran announced the government's decision to restructure the nationalised coal industry. The present subsidiary companies would have full-time chairman/managing directors. This he said, "will strengthen the subsidiary companies which will assume more responsibility and become squarely accountable for their performance". The decision was taken as a further measure of decentralisation and deletion of authority.

Recent exercises in the Energy ministry had shown, Mr Ramachandran said, that the demand for power would grow at the rate of ten per cent a year in the sixth Plan period. The Central Electricity Authority had therefore, been asked to ensure expeditious technical clearance of economically viable projects. CEA has also been asked to keep the likely deficit regions in the country in mind while drawing up projects in the coming years.

Air-borne Foreign Trade

India's foreign trade by air have been gradually rising over the years. The air-borne exports in 1976-77 were worth Rs 8404.3 million as compared to Rs 6336.7 million in 1975-76, Rs 4275.4 million in 1974-75, Rs 2656.3 million in 1973-74 and Rs 1746.5 million in 1972-73, registering almost five times rise over the past five years. The air-borne imports also rose to Rs 4026.2 million in 1976-77 as compared to Rs 2604.4 million in 1975-76, Rs 2184.2 million in 1974-

5, Rs 1758.7 million in 1973-4 and Rs 1152.7 million in 972-73. Provisional figures of otal air-borne trade during the ear 1976-77 amounted to 7,645 metric tonnes valued at s 8404.3 million in the case of xports and 11,278 metric tones valued at Rs 4026.1 million in the case of imports. Thus the total volume of ir-borne trade of India in that ear was 68,923 metric tonnes vorth Rs 12,430.4 million.

The share of air-borne export rade in country's total exports nearly 17 per cent. The hare of air-borne imports to s total imports is eight per ent.

Meanwhile, a high level standing committee on promotion f exports of air known as COPE-AIR set up in the inistry of Commerce, associating representatives of ministry of Tourism and Civil Aviation, Department of Revenue, dian Airlines, State Trading orporation and Air Cargo gents' Association of India, taking all possible measures r the early establishment of tegrated air cargo complexes not only at major airorts in the country but also various inland airports.

ngineering Exports

The exports of engineering oducts from the country uched Rs 552 crore during 76-77 representing a fourld increase from a mere 141 crore in 1972-73. The ports of these goods during 75-76 were of the order of 408 crore. In the overall port value of engineering ods, the capital goods sector cupies a significant place h its share of Rs 178.1 re during 1976-77 as against 154.5 crore in the preceding year.

n the capital goods sector the export of industrial plants and machinery was considerable with its share of the order of Rs 42.2 crore during the period under review of which the textile and jute machinery contributed Rs 15.4 crore, food processing machinery Rs 4.2 crore, sugar machinery Rs 2.5 crore, tractors and earthmoving equipment Rs 19.6 crore. Electrical power machinery and switchgears also constitute a dynamic line of export among the capital goods industries with the export performance at Rs 15.8 crore compared to Rs 14.9 crore during 1975-76. The export of transmission line towers and poles fetched Rs 9.95 crore in 1976-77 as against Rs 7.35 crores in the previous year. The fabricated steel structures including cranes and lifts, boilers, pressure vessels and heat exchangers have also registered an increase in the exports during 1976-77 when they stood at Rs 17.5 crore as against Rs 11 crore in 1975-76.

The foreign exchange realisation from the exports of wires and cables was also of the order of Rs 23.8 crore as against Rs 21.2 crore in the previous year. Railway wagons and coaches whose exports were increasing gradually up to 1975-76 however did not fare well during 1976-77 when their exports declined to Rs 11.4 crore from Rs 17.2 crore achieved in the previous year.

Excise Concession to Cross Reel Hank Yarn

As a measure of relief to handlooms, excise duty concession was provided for cotton and cellulosic spun yarn in cross reel hanks in the recent budget. Since fears have been expressed that this concession may also be availed of by powerlooms to the detriment of handlooms, the government has decided to restrict this concession to cases where such yarn is purchased by a registered handloom cooperative society or any organisation set up or approved by the government for the development of handlooms and payment for such yarn is made by cheque drawn by such cooperative society or organisation on its own bank account.

Record Production by Heavy Industry Units

The 16 public sector undertakings under the department of Heavy Industry achieved a record production worth Rs 829 crores during the year 1976-77, marking an increase of 10 per cent over the output of Rs 751 crores in the previous year. The units closed the year with a profit of about Rs 65 crores. The target production of these units for the year 1977-78 has been fixed at Rs 1,013 crores with a corresponding improvement in profits which is expected to be around Rs 72 crores.

According to the annual report of the ministry of Industry, the rate of industrial growth during the first eight months of the financial year was about 11 per cent which is the highest rate achieved since 1960. The rate of growth during this period has been substantially higher than the plan target in respect of some major industries such as tractors, items of industrial machinery and cars. The percentage of growth during April-December, 1976 over the corresponding period of previous year was 96.1 per cent in case of mining machinery, 86 per cent for cement machinery, 43.1 per cent for scooters and mopeds, 38.8 per cent for chemical and pharmaceutical machinery, 27.7 per cent for heavy metallurgical machinery, 18.4 per cent for sugar machinery and 14.8 per cent in respect of agricultural tractors.

About 400 ancillary units are already functioning around the public sector undertakings giving direct employment to over 13,000 persons. The turnover from these ancillaries during the year 1976-77 is expected to be nearly Rs 18 crores as against Rs 16 crores achieved in the previous year. A variety of items including steel fabrication, machine components, machine tool accessories, castings and forgings and foundry chemicals are being manufactured by these ancillary industries.

Awards Abolished

The highest civilian award—Bharat Ratna—and Padma awards have been abolished. Prime minister Morarji Desai announced this in the Lok Sabha recently and added that the decision in this regard was taken after consulting the Attorney-General.

Distribution of Foodgrains

As a result of the efforts made by the government the off-take of foodgrains through the public distribution system has started picking up. During the first five months of the year, about 4.7 million tonnes of foodgrains was distributed through the public distribution system as against 3.2 million tonnes distributed during the corresponding period last year. It is expected that the trend of increase in distribution is likely to continue during the year and the stocks are expected to be drawn down and would be much lower by the end of the year as compared to the stocks at the beginning of the year. At present about 5 to 6 million tonnes of wheat

is being released through the public distribution system every year. Various steps were taken to increase the off-take particularly of wheat and milo in view of the comfortable stock position and also the need to ensure easy availability of foodgrains to consumers at reasonable prices.

All the state governments were advised to open more fair price shops, to meet the requirements of restaurants and dhabas in full, and to make arrangements for opening fair price shops on weekly markets and hats where wheat and milo could be issued to the consumers without the requirements of a ration card. Particular stress was laid on simplifying the procedure for issue of ration cards and removal of restrictions on certain categories of individuals. State governments were also requested to formulate schemes for giving advances to their employees as well as employees of the state public sector undertakings for the purchase of wheat and milo from the fair price shops. Government of India also formulated a scheme for giving an advance of Rs 300 each free of interest to its employees for the purchase of wheat and rice in bulk from the fair price shops.

RBI Directive to Chit Fund

The Reserve Bank has directed Rachna Chit and Finance Ltd of Dehra Dun not to take from public fresh deposits for any of its schemes. The prohibitory order has been issued following the failure of the company to function to the satisfaction of the RBI. It has been warned that any contravention of the present order would expose every director to punishment — jail for three years and fine equal to twice the amount of the deposits received.

Gujarat Narmada Valley Fertilizers

The Gujarat Narmada Valley Fertilizers project had made considerable progress and completed much of the spadework of the first phase of its implementation. This was disclosed by GNFC's managing director Mr M. Sivagnanam in an appraisal given to the union Finance minister Mr H.M. Patel during his visit to GSFC recently. The GSFC chairman Mr Jaykrishna Harivallabhdas was also present on this occasion. Mr Sivagnanam told the union Finance minister that the total expenditure so far incurred on the project was around Rs 24 crores. He said that the land was taken possession of and the compensation had been settled. The soil investigations had been completed and the plot plan finalised. The contracts for the water supply and the boiler plant were already awarded and machinery and equipment worth $ 45 million has been ordered abroad. Also orders of the value of Rs 26 crores for critical Indian equipment and machinery were placed. Mr Sivagnanam disclosed that the contracts for Indian engineering were finalised and the first shipment of equipment was expected in November 1977. He pointed out that mechanical completion of all plants will take place in December, 1979. He added that the government of Gujarat had guaranteed to IDBI for the grant of an ad hoc financial assistance upto Rs 25 crores and emphasized that the union government should give necessary assurance to IDBI in the interest of expeditious implementation of the project.

Dock Strike Averted

The threat of dock strike has been averted. An agreement was reached recently between the government and dock workers. The strike notice, which would have covered nearly 200,000 port and dock workers, has been withdrawn. The agreement emerged from a series of discussions that the Labour minister Ravindra Varma had with the leaders of dock workers. Announcing the agreement in the Lok Sabha recently, Mr Varma stated that pay scales have been revised and it has been agreed that a fixed dearness allowance will be paid in relation to the new scales. Veriable DA will be paid for variations in the consumer price index number. It has been agreed that no fresh demands relating to wages and allowances (covered by the wage revision committee's report) during the currency of this settlement (i.e. till December 31, 1979) would be made.

Names in the News

Mr A.S. Gupta has taken over as zonal manager of the Life Insurance Corporation of India, (western zone), Bombay. He was actuary of the erstwhile Asian Insurance Company for five years at the time the industry was nationalised. He has been the zonal manager of the central as well as the eastern zones.

EASTERN ECONOMIST BUDGET NUMBER 1977

This special issue, dated June 24, 1977 is wholly devoted to an objective, in-depth analysis of the first central budget of the Janata government. It gives credit where credit is due, but pulls no punches in its critical treatment of the policies and decisions of the budget in their relation to the pledges and programmes of the Janata party, the demands of the economy and the aspirations of the people. Carrying the relevant budget documents and illustrated with charts and graphs, the Budget Number which is priced at Rs. 10 per copy, will be available to our regular subscribers without extra charge. New subscribers, who enrol themselves retrospectively from the issue dated June 3, 1977, will also receive their copy of the Budget Number.

The Manager, Eastern Economist Ltd.,
UCO Bank Building, Parliament Street, New Delhi-110 001.

COMPANY AFFAIRS

Cadbury India

CADBURY INDIA will enter the market on July 25, with the issue of 850,000 equity shares of Rs 10 each at a premium of one rupee per share. The principal object of the issue is to dilute the foreign equity from 100 per cent to 60 per cent in the first stage. After the public issue, the company's share capital will rise to Rs 2.48 crores. The proceeds of the issue will be utilised for financing partly the proposed expansion and diversification programme.

The company at present has authorised capital of Rs 4 crores and issued subscribed and fully paid up capital of Rs 1.49 crores. The present issue offered to the public will remain open up to August 4, 1977, but the directors have the discretion of closing it earlier, but not before July 7, 1977. The entire issue has been underwritten by State Bank of India, Bombay, Grindlays Bank Ltd, Bombay, The Chartered Bank, Bombay, Bank of India, Bombay, Central Bank of India, Bombay, Vijaya Bank Ltd, Bombay, Bank of Maharashtra, Pune, Investment Corporation of India Ltd, Bombay, Industrial Investment Trust Ltd, Bombay, Bhupendra Champaklal Devidas, D.S. Purbhoodas & Co, Harish Chandra Gutt & Co, Jamnadas Morarjee & Co, Lewis & Jones, Merwanjee Pomanjee Dalal, Prabhudas Lladher, Valji Bhimji & Co, Barat Bhushan & Co, Harbans Singh Mehta & Co, H. P. Mehta & Co, Vinod Kumar & Co, Place, Siddons & Gough Pvt Ltd, L. K. Panday, Narandas & Sons, Batliwala & Karani, Chimanlal Maneklal, Jasvantlal Chhaganlal, Behari Lal & Co, Bhupendra & Co, Jalan & Co, J. C. Mehta & Co, V.N. Bhasin & Co, M. M. Murarka & Co, Chitra & Co, Paterson & Co, M. Nanjappaiah Jahgirdar, Vijai & Co, Champaklal Bhailal Chokshi, Laxminarayan N. Gupta & Co, Dalal & Broacha, Jasvantlal Chhotalal & Co, Porecha Brothers, Surinder Rode & Co, C. Mackertich, G. M. Pyne, Stewart & Co, Jahgirdar & Co, P. B. Afzulpurkar, Pushkarlal Ghudawala.

Mukand Iron

Mukand Iron and Steel Co., has reported an all-round improvement in its performance during the year ended March 1977. An equity dividend of seven per cent has been declared on an enlarged capital resulting from the one-for-two bonus issue made during the year, against eight per cent, on old capital for the previous year Sales have risen by 13.3 per cent from Rs 41.43 crores in 1975-76 to Rs 46.95 crores in 1976-77. The gross profit went up by 33 per cent from Rs 1.98 crores to Rs 3.03 crores. After providing Rs 122.46 lakhs (Rs 120.55 lakhs) for depreciation, Rs 7.50 lakhs (nil) for investment allowance, Rs 92 lakhs (Rs 46 lakhs) for taxation and after making some adjustments, the disposable surplus is Rs 81.11 lakhs (Rs 64.40 lakhs). Dividends will absorb Rs 56.51 lakhs (Rs 43.06 lakhs). A sum of Rs 16.60 lakhs has been transferred to the general reserve and Rs 8 lakhs (same) to the debenture redemption reserve.

According to Mr Viren J. Shah, chairman, the higher profit resulted mainly due to the improved performance of the steel plant. Production of rolled steel increased from 109,000 tonnes to 134,000 tonnes. The picture would have been still better had there been an improvement in demand for steel castings. He has said that demand for steel castings in the year current has been picking up.

Exports during 1976-77 were higher at Rs 3.10 crores against Rs 1.43 crores in 1975-76. The company has recently supplied a crane of 560 tonnes valued at Rs 1.48 crores to Neyveli Lignite Corporation, which is expected to be commissioned shortly. This is the largest crane developed in the country based on indigenous technology. The company has received government permission for manufacturing process equipment for chemical and fertiliser plants. Efforts are also being made to achieve higher valued product-mix.

Chemicals and Fibres

Chemicals and Fibres of India has declared an interim dividend of five per cent for the year ending September 1977. According to the unaudited figures, gross sales during the first half of the current year (October 1976 to March 1977) were slightly lower than those for the same period of the previous year. Net sales (exclusive of excise duty) were, however, slightly higher at Rs 10.55 crores against Rs 10.11 crores. The sundry income totalled Rs 68 lakhs against Rs 55 lakhs. The estimated gross profit was Rs 2.33 crores against Rs 2.19 crores in the corresponding period of 1975-76. After providing Rs 54 lakhs (Rs 5 lakhs) for depreciation and Rs 1.16 crores (Rs 7 lakhs) for taxation, the available profit works out at Rs 63 lakhs (Rs 99 lakhs).

Fibre Imports

The company's demand for indigenous polyester fibre from the textile industry dropped sharply after December 1976 due to the STC selling canalised fibre imports at a reduced price of Rs 63 per kg against the original price of Rs 75 per kg, government alowing free imports by textile mills under OGL from November 1976 and general expectations that there would be a major reduction in duties of polyester fibre, yarn and fabrics in the budget for 1977-78. Imported fibre was consumed in preference to domestic fibre on price considerations. The duty reduction expectations made the mills and trade to run down stocks to the bare minimum which suppressed total demand for fibre. Thus the trading conditions in the second quarter were much worse than in the first quarter. Following the industry's representation, protection duties on domestic fibre were reduced. In addition DMT prices were also reduced.

Zenith Steel

The preliminary statement from Zenith Steel Pipes and Industries for the year ended April 1977 revealed an all-round improvement over the previous year's disappointing performance. Production, sales and profits are all appreciably higher and the dividend too

has been raised from 12.5 per cent to 15 per cent.

Sales have risen by 40 per cent to Rs 28.88 crores in 1976-77 from Rs 20.62 crores in 1975-76. The gross profit went up by 133 per cent to Rs 184.66 lakhs from Rs 79.11 lakhs. For 1974-75, sales had totalled Rs 26.22 crores and the gross profit Rs 295.13 lakhs. After providing Rs 20.58 lakhs (Rs 25.07 lakhs) for depreciation, Rs 3.92 lakhs (nil) for investment allowance and Rs 79 lakhs (Rs 22.80 lakhs) for taxation, and after making some adjustments, the disposable surplus is Rs 81.52 lakhs (Rs 41.90 lakhs). Dividends will absorb Rs 37.80 lakhs (Rs 31.50 lakhs). A sum of Rs 43 lakhs (Rs 10.30 lakhs) has been transferred to general reserve.

Higher Production

Production of pipes during the year was 26 per cent higher than in 1975-76. Availability of steel and zinc was satisfactory. There has been a steady improvement in the rolls and sheets division. In the special steels division 19,000 tonnes of billets were manufactured compared to 13,000 tonnes in the previous year. But for the increased power cut production would have been higher. The total f.o.b. value of exports was higher at Rs 10.04 crores against Rs 4.04 crores. Exports are moving at present mainly to West Asian countries. But the demand there seems to be declining. The company is making efforts to enter the more sophisticated markets of the USA and Europe.

Standard Mills

The directors of Standard Mills have maintained the dividend at 20 per cent for the year ended March 31, 1977. According to preliminary figures, the company's net sales have expanded from Rs 52.94 crores to Rs 60.94 crores but the gross profit marginally increased from Rs 6.01 crores to Rs 6.07 crores. After providing Rs 2.75 crores (Rs 2.60 crores) for depreciation, Rs 1.42 crore (Rs 1.41 crores) for taxation and Rs 36.69 lakhs (Rs 4.13 lakhs) for investment allowance development rebate, the net surplus amounts to Rs 1.52 crores compared to the previous year's Rs 1.96 crores. Out of this, the proposed dividend on preference and equity shares will absorb Rs 1.03 crores (Rs 1.01 crores).

TELCO

The Tata Engineering and Locomotive Co is going ahead with its expansion programme at Jamshedpur and Pune according to schedule. The chairman, Mr S. Moolgaokar, stated in his statement that the equipment being installed at Pune could have been utilised more effectively but for the power shortage in this area. The entire range of tooling required for the production of the new heavy vehicle is now under manufacture and will be ready in time next year for the mass production of these vehicles. With the start of production of these vehicles at Pune, the company will begin a new era in its march to further growth and contribution to the country's economic development.

The company is doing well in its export activities. It expects to improve upon its last year's record export performance of over Rs 23 crores. It has drawn up a five year programme to step up exports to various regions of the world.

Mr Moolgaokar has said that while the company has had a satisfactory year (1976-77), the state of the automobile industry in general continues to be woeful. The present taxation system is the major factor contributing to the industry's plight. He has suggested that the government should rationalise the taxation structure on the manufacture and sale of vehicles by introducing a suitable form of value-added tax in place of the present system. The law of diminishing return is fully operative in this industry and the country is being deprived of the accretion of additional commercial vehicles for which there is need and demand, and which remains unsatisfied mainly due to high prices and operating costs.

Directors for National Rayon

Eight government directors on the board of directors of M/s National Rayon Corporation Ltd, Bombay have been appointed by the Company Law Board under subsection (1) of Section 408 of the Companies Act, 1956 for a period of three years from the date of the issue of this order. This has been done to prevent the affairs of the company from being conducted in a manner prejudicial to the interests of the company and to its members and also to public interest. The persons appointed as government directors are: (1) Mr R.K. Talwar, former chairman, State Bank of India, (2) Mr B.K. Dutta, retired managing director, United Bank of India Ltd, (3) Mr G.K. Abhayankar, ex-additional secretary, government of India, (4) Mr Hari Eswaran, ex-president of the Southern India Manufacturers Association, (5) Mr K.C. Raman, Gold Pinch, (6) Mr V.B. Hari Bhakti, Chartered Accountant, (7) Mr Ramesh Mehta, former managing director, Life Insurance Corporation of India, (8) Mr B.C. Randeria, former executive director (investment), Life Insurance Corporation of India.

The Company Law Board has further directed that Mr R.K. Talwar will be the chairman of the board of directors of the company. In addition, the Company Law Board has received the right to issue directions pursuant to sub-sections (6) and (7) of Section 408 of the Companies Act, 1956 as and when found necessary.

Kunal Engineering

Kunal Engineering has reported improved working for the year ended March 1977. Sales have risen from Rs 1.46 crores in 1975-76 to Rs 2.05 crores in 1976-77 and the gross profit from Rs 23.85 lakhs to Rs 24.73 lakhs. After providing Rs 4.42 lakhs for depreciation, Rs 1.08 lakhs for investment allowance and Rs 12 lakhs for taxation, and after making some adjustments, the disposable surplus is Rs 9.76 lakhs. Equity dividend has been maintained at 20 per cent on the enhanced capital resulting from the one-for-three bonus issue made during the year. Dividends will absorb Rs 6 lakhs (Rs 4.50 lakhs).

The company has received permission to raise the capacity to 400,000 spindles per annum. In addition, the company will also be meeting its own requirement of inserts of 400,000 per annum.

News & Notes

Goodwill India Ltd proposes to issue right shares to the existing shareholders in the proportion of three shares for every seven held. The company has also decided to main-

ain equity dividend for the ear ended March 1977 on the apital as increased by the wo-for-five bonus issue. How-ver, its operations have resul-ed in a lower profit of Rs 17.79 lakhs (Rs 20.17 lakhs) or the year. After allocating Rs 9.70 lakhs (Rs 12.83 lakhs) for taxation and Rs 5.25 lakhs (Rs 3.75 lakhs) for the proposed dividend, the balance of Rs 2.46 lakhs (Rs 3.73 lakhs) has been transferred to general reserve.

The public issue of 200,000 equity shares of Rs 10 each at a premium of Rs 6 per share by **Coates of India,** which opened for subscription on July 11 was closed on July 13. The issue is stated to have been oversubscribed by about five times.

The board of the **Oriental Carpet Manufacturers' Co Ltd (OCM)** has decided to make a bonus issue, subject to consent of the Controller of Capital Issues, in the ratio of one share for every four shares held by capitalising Rs 17.50 lakhs from reserves. The company has made a higher profit of Rs 73.07 lakhs on sales of Rs 13.31 crores for the year ended March 31, 1977 against a profit of Rs 66.07 lakhs on sales of Rs 14.67 crores in the preceding 15-month period. An equity dividend of Rs 1 90 per share for 400,000 equity shares and at 32 paise per share on 300,000 right shares on a pro rata basis has been recommended. The company had paid a dividend of 25 per cent for the 15-month period ended March 1976.

Commercial production in the brewery unit of the **Central Distillery and Breweries Ltd,** formerly known as the Central Distillery and Chemical Works Ltd has begun. The product has been well received in the market. The company hopes to utilise its installed capacity fully in the current year because of good demand. Its working for the year ended September 1976 has resulted in a profit of Rs 1.22 lakhs on sales of Rs 96.29 lakhs against Rs 1.23 lakhs on sales of Rs 97.69 lakhs in the previous year. After providing Rs 61,429 (Rs 64,180) for depreciation Rs 25,000 (Rs 40,000) for taxation and making other adjustments a sum of Rs 2,412 has been carried forward against Rs 1,605 brought in.

New Issues

KSB Pumps entered the capital market on August 18, with 200,000 equity shares of Rs 10 each at a premium of Rs 7.50 per share. The main object of the issue is to dilute the foreign equity holding from 65 per cent to about 51 per cent. But it will help meet a part of the cost of the company's Rs 241.50 lakh modernisation and expansion programme.

The company has been manufacturing industrial and agricultural pumps in technical collaboration with Klein, Schanzlin and Becker (KSB) of West Germany. It has undertaken a substantial expansion and modernisation of its existing manufacturing facilities at Pimpri near Pune (Maharashtra) mainly to enlarge the types and range of process pumps for use in fertiliser, chemicals and petrochemical industries. The cost of this project is placed at Rs 1.27 crores. Its other project estimated to cost Rs 1.1 crores is for the manufacture of various types of pumps required for nuclear power stations, for which a letter of intent has been received. The company has received a letter of intent from the Department of Atomic Energy for the first order valued at Rs 401 lakhs for supplying four primary coollant pump units for the Narora atomic power project (second stage). These pumps will also be manufactured in collaboration with KSB, West Germany.

Its sales totalled Rs 3.53 crores in 1976 against Rs 4.88 crores in 1975 (which was an exceptional year). The gross profit was lower at Rs 59.98 lakhs against Rs 105.61 lakhs and the net profit at Rs 17.81 lakhs against Rs 30.60 lakhs. Equity dividend of 22 per cent was maintained for 1976, which had absorbed Rs 11 lakhs.

Capital & Bonus Issues

Following companies have been granted permission to raise capital. The details are given below :

Tamil Nadu Industrial Development Corporation Ltd, a public company having a paid-up capital of Rs 165.17 million has been accorded consent to issue 10,000 debentures of Rs 1,000 each totalling Rs 10 million (with the right to retain additional subscription upto 10 per cent of the notified amount) carrying interest @ 6½ per annum to be issued to the public at the issue price of Rs 98.85. The debentures will be redeemable after 10 years and shall be repayable to registered holders only. The consent order is valid for 18 months only.

Bhadrachalam Paper Boards Ltd, Secunderabad, has been accorded consent, valid for 18 months, for the issue of Rs 105 million equity shares of Rs 10 each and Rs 5 million preference shares of Rs 100 each. The proceeds of the issue will be utilised for meeting part finance for setting up a pulp, paper and paperboard factory, in district Khamman (Andhra Pradesh).

The Pradeshiya Industrial and Investment Corporation of UP Limited, a public company having a paid-up capital of Rs 5.57 million has been accorded consent for issue of 10,000 bonds of Rs 1,000 each totaling Rs 10 million (with the right to retain additional subscription up to 10 per cent of the notified amount) carrying interest @ 6¼ per cent per annum to be issued for cash by private placement at the issue price of Rs 98.85 per cent. The bonds will be redeemable after 10 years. The bonds will be transferable by endorsement or alternatively payable to registered holders only. The consent order is valid for 18 months.

Announcement

M/s. Saurabh Pustak Bhandar, Ahmedabad, have been appointed as one of our Subscription Agents.
Necessary enquiries may please be made to :-

Saurabh Pustak Bhandar
615, Relief Road, Firsi Floor,
Near Calicodome,
AHMEDABAD-380 001
Phone No. 31230

CHAIRMAN'S SPEECH

"1976 was yet another year of successful operation for Vijaya Bank..."



More priority advances, lending to the weaker sections, expanding in underbanked areas... some of Vijaya Bank's highlights

Statement by the Chairman, Mulki Sunder Ram Shetty, at the 45th Annual General Meeting of the Shareholders of Vijaya Bank, held at Mangalore on 29th June, 1977.

Ladies and Gentlemen,

It gives me great pleasure to welcome you to the 45th Annual General Meeting of our Bank. The Directors' Report and the Audited Account for the year ended 31st December 1976 are already in your hands and with your permission, I shall take them as read.

BANKING INDUSTRY

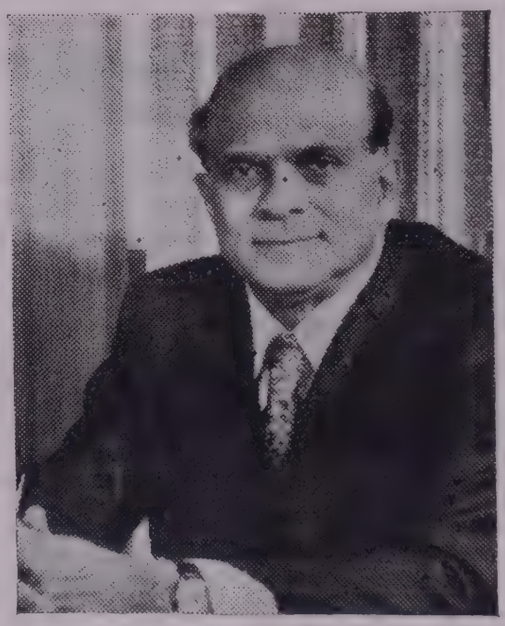
Total deposits of scheduled commercial banks in the country stood at Rs 17,132 crores at the end of 1976, which showed an increase of Rs 3,381 crores representing a growth rate of 24.6 per cent in 1976 as compared to 17.6 per cent in 1975. The total bank credit also expanded at a higher rate of 27.8 per cent in 1976 as against 23.5 per cent in 1975.

Food procurement advances by the Banking Industry has reached a record level of Rs 2,164 crores at the end of 1976 as against Rs 942 crores in December, 1975.

OUR BANK'S OPERATIONS

Deposit Growth

The deposits of our Bank reached an all-time high figure of Rs 221.02 crores in 1976 as against Rs 167.45 crores in 1975, representing a growth rate of 32 per cent which is higher than the growth rate of 24.6 per cent recorded by the Banking Industry in 1976. In recent years,



Chairman :
Mulki Sunder Ram Shetty

our Bank's deposits have been doubling every two years. The deposit figure for 1976 also reflects the same trend as compared to 1974.

In order to broaden and strengthen the resource base of the Bank and also to spread the banking habit among the public, the Bank has been operating a number of special deposit mobilisation schemes. These schemes have continued to gain popularity and have helped the Bank to cross the one-million mark in the number of deposit accounts for the first time in the history of the Bank.

Credit Expansion

The Bank recorded a substantial credit expansion during the year. The total bank credit increased from Rs 101.53 crores in 1975 to Rs 134.62 crores in 1976. A sizeable portion of the credit expansion of the Bank was for the purpose of food procurement. Food procurement advances of the Bank increased from Rs 5.40 crores in 1975 to Rs 13.35 crores in 1976.

Priority Credit

Lending to the priority sectors including exports registered a significant rise of Rs 10.86 crores from Rs 30.87 crores in 1975 to Rs 41.73 crores in 1976. The share of priority sector credit in total credit improved from 30.4 per cent in 1975 to 31.0 per cent as of end 1976.

Financing of Agriculture

A noteworthy feature of our priority credit is the thrust made by the Bank in financing agriculture and the Bank could surpass the Rs 10 crore mark in 1976. Agricultural credit stood at Rs 10.24 crores thereby showing an increase of Rs 2.81 crores, i.e. 37.8 per cent increase over the previous year.

For the first time the Bank set up a Farmers' Service Society in the backward

district of South Kanara, with a view to providing integrated agricultural credit services to small farmers. We have plans to promote more such societies in the future.

Financing of Foreign Trade

Our Bank has done extremely well in financing the country's exports. The Bank's export credit increased from Rs 6.63 crores in 1975 to Rs 10.04 crores in 1976. Turnover of export credit handled by the Bank amounted to Rs 92 crores in 1976 as against Rs 53 crores in 1975, recording an increase of 75 per cent during 1976.

Lending to Weaker Sections

Right from its inception, the Bank has made a name as a "Small Man's Bank". A large number of smaller borrowers belonging to the weaker sections of society received credit during 1976. A number of schemes were formulated to extend assistance to the weaker sections of society. The number of borrowal accounts from the weaker sections stood at 44 thousand at the end of 1976 with an outstanding liability of around Rs 3.5 crores.

Branch Expansion

In keeping with the national policy, the pace of branch expansion continued in 1976. The Bank opened 66 new offices during the year, thereby raising the total number of branches from 400 in 1975 to 466 at the end of 1976. Of the 66 new branches opened in 1976, as many as 44 (66.7 per cent) are located in rural and semi-urban areas, indicating the commitment of the Bank to the objective of extending banking facilities to the people in rural and semi-urban areas.

A noteworthy feature of our branch expansion programme during the year was greater penetration in states where we have yet to make an impact. Nearly 50 per cent of the branches opened by the bank in 1976 were, therefore, located in the states of Uttar Pradesh, Assam, Bihar, Gujarat, Madhya Pradesh, Manipur, Meghalaya, Nagaland, Punjab and West Bengal.

Manpower and Training

To cope up with the branch expansion programme and the business expansion of the Bank, staff strength of the Bank increased by 1,284 during the year. The total number of employees at the end of 1976 stood at 7,457 compared to 6,173 at the end of 1975.

In a service industry like ours, the necessary skills and expertise will have to go hand in hand with growth, so as to render improved service to our customers. Therefore, the year 1976 was earmarked as the year of 'Training and Development'. Accordingly, concerted efforts continued during 1976 to train a large number of staff to meet the organisational training requirements. Increased emphasis was being placed on the qualitative aspects of training. Because of the acceleration in the tempo of training, the total staff trained in 1976 was as high as 1,903 as against 1,148 in 1975.

In order to match the quantitative growth with the qualitative progress, the need for an 'In-depth' study of manpower requirements, training needs and other aspects relating to manpower planning was felt by the Bank. Accordingly, the Institute of Applied Manpower Research, Delhi was entrusted with the study of our manpower requirements, training needs, etc. The Institute has submitted its report and the report is being studied for implementation.

Customer Service

Customer service has been our precious tradition. During 1976, various steps were initiated to improve customer service. Complaints and suggestions from our customers serve as an index of service rendered by the Bank.

Reorganization

Your Bank, as you may recall, had by the end of 1966 only Rs 8.43 crores deposit, 63 branches, 689 employees and was known only in 4 States and made a net profit of Rs 1.74 lakhs only. By end 1976, the Bank took its deposits to Rs 221.02 crores, increased branches to 466 in number, had 7,457 employees working for it, is known in almost all States of our country and made a net profit of Rs 66.05 lakhs. This phenomenal growth of the Bank has made certain demands on its organizational capabilities. Realising this, your Board invited the Indian Institute of Management, Ahmedabad, a reputed management institution of our country, to study the Bank's working and to suggest ways and means for developing the capabilities of the organization and the system that may be employed to digest and consolidate the growth so far attained, as also to keep the pace of further development.

The Institute has already submitted its first report on the organizational structure, the accent of which is decentralisation of authority. According to these recommendations, which your Board has accepted, the Bank should devolve itself, for administrative purposes, into 15 regional units under 3 operational zones. Each of the regional units will be as big or even bigger in terms of the key indicators of the business than what your total Bank was by the end of 1966. The regions and the operational zones have already been formed and our Executives are now working on designing appropriate systems to ensure that these authorities vested with the regional/zonal management, are exercised in the best interests of you and your Bank.

Our stability and soundness

We have strengthened our capital base further, by substantially adding Rs 69 lakhs (Rs 29 lakhs in terms of paid-up capital and Rs 40 lakhs as appropriation of profits) to the total capital and reserves during the year 1976. Against Rs 207 lakhs at the end of 1975, the support to the depositors' funds from the Bank's side stands now at Rs 276 lakhs. You will be proud to note that your Bank found its place amongst the first few in our country in respect of capital deposit ratio, one of the key indicators of the soundness and stability of commercial banks.

Employee participation

It is the Bank's policy to encourage employees to participate in the share capital. This is shown by the fact that by the year end 1976 we had 1,119 employee shareholders.

Profit and dividend

One important development during the year under review was the imposition of ceiling on lending rates of Banks by Reserve Bank of India. Although this has acted as a major constraint on our Bank's profitability, we have made an attempt to improve the profitability through strict control over costs and also by improving the productivity of the staff through better utilisation of manpower resources.

In spite of imposition of ceiling on interest rates and many other constraints on lending during this year, your Bank has increased its pre-tax profits by Rs 31 lakhs during the year. The published profits of the Bank, improved from Rs 62.13 lakhs at the end of 1975 to Rs 66.05 lakhs for the year 1976. It will be interesting to note that your Bank ranks first amongst the private sector Banks in respect of published net profits for the year 1975 and expects to maintain this position in 1976 also. I am happy to state that it has been possible for the

Bank to maintain the dividend at 12 per cent for the year 1976 also.

Changes in the board

Dr. M.V. Shetty retired from the Board during the year 1976, after a long tenure of 8 years as a Director. I deeply appreciate his services as a Director on the Board of the Bank during his tenure of Directorship. I wish to place on record my profound sorrow at his sad demise on 11-12-1976. Sri G. Pratapchandran, Joint Chief Officer, Reserve Bank of India, Bangalore, and Sri M. Gopalakrishna Shetty, an eminent advocate of Bangalore, joined the Bank's Board of Directors during the year 1976. I am pleased to welcome both of them to the Board. I feel confident that the Bank will be immensely benefited from their guidance.

Conclusion

I am happy to mention that I always had the continuous support and co-operation of my colleagues on the Board. I am extremely grateful to each one of them.

The year 1976 is yet one more year of successful operation of the Bank. This good performance would not have been and hard work put in, by all the staff during the year. As the Chairman, it is my privilege to acknowledge their contribution, and I look forward in greater measure to their continued co-operation in fufilling the tasks and goals ahead.

My sincere thanks to all our shareholders, the customers and the public for their active support and the confidence they have reposed in us.

Note : This does not purport to be the proceedings of the 45th Annual General Meeting of the Bank.

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The Tata Engineering and Locomotive Company Limited

STATEMENT OF THE CHAIRMAN,

Mr. S. Moolgaokar,

FOR THE YEAR 1976-1977

The past difficult year has rned out to be a good one r your Company. Thanks to e policies we have advocated along and which we conti-e to pursue assiduously, we cured a predominant share of e domestic and export mar-ts. We were responsive to e needs and desires of our rd hit customers and gave em even better and more rable vehicles with numerous provements. We enlarged r service facilities, improved placement parts availability, ranged on the spot settlement warranty claims and so pro-ded prompt and effective er-sales service to our grow-g list of customers. The in-stments made at Jamshedpur d Poona enabled us to pro-ce and sell more spare parts, d thanks to the efforts and thusiasm of all our emplo-es, we were able to produce 97% of our installed capa-y for vehicles, show better ofits and proceed unhindered th our expansion plans.

2. The recession in the Auto-obile Industry has helped to ive home throughout our ganisation the value of secur-g the utmost customer affec-n for our products thereby staining sales in a difficult riod. The recession has also d other salutary effects on e Company's operations: provided impetus to increase oductivity, to reduce costs d to tighten our belts in all eas of operations. All this gether with the fact that our cing policy has never been sed on inefficient cost perfor-nce enabled us to pass on jor product improvements our customers and yet hold price line which incidentally we have done for over two years.

3. The building of long-term organisational strength continues to receive every attention. The secret of youth and vigour for large engineering organisations of our type, operating in our environment, lies in the ability to revitalise and regenerate ageing plant and equipment from within. We have made good progress in this direction. An increasing amount of capital equipment for the Company's operations and expansion programmes is being designed and manufactured within the Company itself in its Machine Tool, Production Engineering and other divisions. Designing and manufacturing skills are being steadily built up through our long-term investment in Engineering Research & Development, and on-the-job training of designers, technicians and apprentices. We have now reached a stage where we are in a position to take advantage of the advances made in other parts of the world to produce vehicles which are increasingly reliable, safe and economical to operate.

4. In order to promote scientific and technological self-reliance, the Finance Minister has provided an incentive to the users of technical know-how developed in our country, by granting investment allowance at a higher rate of 35 per cent on machinery and plant installed for the manufacture of products made in accordance with know-how developed only in laboratories owned by Government, Public Sector Companies and Universities. The object is to encourage the use of designs and manufacturing processes developed indigenously. Government will achieve its objective successfully if this incentive is also extended to products and processes developed by Public Limited Companies such as ours.

5. We are doing well in our export activities. Last year we achieved record exports of over Rs 23 crores and this year we expect a further substantial increase. Together with the export of vehicles we are providing know-how, personnel and managerial assistance for the management of dealership and service centres for our products. The ability to provide these services is particularly useful in markets where despite our Government's export assistance we find ourselves uncompetitive on the basis of either prices or technological advances in the products made by the international giants. This is a vital component of the 5-year programme we have drawn up to step up export sales to various regions of the world.

6. The Company's expansion programme at Jamshedpur and Poona is proceeding according to schedule. The equipment being installed at Poona could have been utilised more effectively but for the power shortage in this area. Considerable expenditure and engineering efforts have been expended on the prototypes of the Poona heavy vehicle. These are now being tested under arduous conditions to satisfy the design parameters required for a thoroughly reliable and tough vehicle with low operating costs. The entire range of tooling required for the production of the new vehicles is now under manufacture and will be ready in time next year for the mass production of these vehicles. With the start of vehicle production at Poona will begin a new era in our march to further growth and contribution to the nation's economic development.

7. We are engaged in an industry which is vital for the progress of a developing nation. The commercial vehicle industry plays a pivotal role in the efficient movement of people, agricultural products, raw materials and finished goods. It opens up backward and remote regions, it has immense employment potential, it leads to the growth of a widespread and versatile ancillary industry and it triggers off substantial and almost unending streams of revenue to the exchequer. Despite this and largely on account of the previous Government's priorities, the growth and development of this industry has never been anywhere near its potential. If even the 4th Plan targets had been met, the annual production of commercial vehicles by now would have been 85,000, whereas the production last year was a mere 46,835.

8. Whilst your Company has had a satisfactory year, the state of the Automobile Industry in general continues to be woeful. The present system of taxation, as applicable to the manufacture and sale of vehicles, as well as to their operations, is the major factor contributing to the industry's plight. The cascading effect of various indirect taxes such as customs, excise, sales-tax and octroi results in highly inflated prices to the customer. Multiple taxation at various stages of production such as taxing raw materials (steel, copper, lead) then again taxing intermediate products (tyres, batteries, starter motors, etc.), and finally imposing a further substantial excise duty and sales-tax on the finished product results in the total tax on the manufacture and sale of commercial vehicles inflating the price to the custo-

mer by almost 60%. Incidentally, this percentage of tax on trucks and buses used for mass transport is higher than that on cars used for personal transport which surely could not have been the intention of Government, but is one of the anomalies inherent in the present tax system. The tax revenues generated by the manufacture and sale of TELCO products amounted to almost Rs. 90 crores last year. Moreover, we estimate that as much as Rs. 25 crores of working capital is locked up in inventories and work-in-progress with TELCO and its suppliers solely due to the present tax structure. At today's high interest rates, the inflationary effect of this can be readily seen, and capital which is a scare resource is frozen unproductively. I would therefore recommend that Government should rationalise the structure of taxes on the manufacture and sale of vehicles by introducing a suitable form of value added tax in place of the present system. I trust the Jha Committee on Indirect Taxes will give serious consideration to this suggestion.

9. Last year tyres, tubes and batteries were exempted from excise duty when fitted as original equipment on cars. This exemption has now been extended to scooters and 3-wheelers. We do not see any reason why commercial vehicles have been left out. This one measure alone, which has the merit of being administratively simple, would result in a reduction in the price of our vehicles to the customer by Rs 4,000.

10. After purchasing a vehicle at a highly inflated price, the customer continues to pay a plethora of taxes and fees in order to operate his vehicle. There are very high excise duties on fuel and lubricants, and essential spare parts (67 per cent on diesel; 55 per cent on tyres, etc.). In addition there are a number of specific taxes such as passenger tax, motor vehicles tax, permit fees, and so on. Due to these taxes the cost of operations is increased by as much as 50 per cent. The result is that the population of Tata vehicles alone operating in the country generates tax revenues of over Rs 1,000 crores every year. This is in addition to the Rs 90 crores of annual tax revenues on the manufacture and sale of TELCO's products. Thus the manufacture and use of TELCO's products alone contribute nearly 10 per cent of the total national tax revenues every year. And yet commercial vehicles, the use of which results in vast annual revenues to Government, are by far the highest taxed of all capital goods.

11. Government must by now have realised that the law of diminishing returns is fully operative in this industry and the nation is being deprived of the accretion of additional commercial vehicles for which there is need and demand, and which remains unsatisfied mainly on account of high prices and operating costs. Rationalisation of the taxation structure on the manufacture, sale and operations of commercial vehicles will assuredly bring about increase in production, assist economic development, and increase Government revenues.

12. Similarly, that most objectionable of taxes, octroi, must be eliminated together with all its concomitant evils. There are as many as 1400 octroi posts in Maharashtra alone, and time lost in transit from Bombay to Delhi due to such checkposts and other harassment which the vehicle driver inevitably encounters is no less than a third of the total time taken to travel the distance. Surely it is not beyond the ingenuity of those State Governments who are levying octroi to work out and implement a substitute for octroi as already done by some states.

13. While massive revenues are generated by the Road Transport Industry, a grossly insufficient fraction of these revenues is ploughed back into the construction and maintenance of roads. Way back in 1959-60 the revenue to the exchequer from road transport aggregated to Rs 135 crores and the expenditure on roads amounted to Rs 90 crores, namely 67 per cent of the revenue. In 1974-75, the revenue jumped to Rs 1,238 crores, but the expenditure on roads was a mere Rs 335 crores, which is only 27 per cent of the revenue from road transport. It might interest shareholders to know that the famous Brookings Institution carried out some time ago, an on the spot study in several developing countries, and found that when new roads are opened, a sharp rise in agricultural production took place in all cases—with more emphasis on production for marketing than for subsistence. Government should recognise the rich source of revenue and employment potential of such expenditure and cease to accord stepmotherly treatment to the development of roads which are the veritable arteries of our nation.

14. The employment potential of the entire Road Transport Industry, both downstream and up-stream, is hardly exceeded by any other industry. Every additional vehicle that comes on the road provides employment for at least a dozen people. Support to such an industry should therefore form an integral part of Government's economic programme if the avowed aims of accelerated development and increased employment are to be achieved. According to a recent study by the NCAER the construction of every kilometer of a national highway in our country creates employment of 141-153 man-years, the corresponding figure for state highways being 85-96 man-years and for village roads 25-32 man-years. On this basis, if the road construction projects included in the draft 5th Plan had been implemented they would have generated employment of 10.8 million man-years mostly for the unskilled, poor people.

15. It would be no exaggeration to state that the actual amounts spent on road construction over the years have been niggardly. For example, in the Draft 5th Plan an outlay of Rs 501 crores was provided for the development of national highways. In the revised Plan this has been reduced to Rs 328 crores. But even out of this reduced outlay as much as Rs 253 crores is on schemes which were included in the 4th Plan. In effect, this means that a mere Rs 75 crores is included for new road schemes during this Plan period. This is the munificent amount that has been provided for the creation of highly productive and employment oriented capital assets of our nation.

16. There has been of late a spate of strikes, go-slows, lockouts and work stoppages, and this seems to be increasing. Due to labour unrest some of our ancillary suppliers have been unable to meet their commitments. This has adversely affected the production and despatch of our vehicles. In addition, our exports during the first quarter of this year were reduced due to the strike in the Bombay Docks. Since we have several hundred suppliers, we cannot completely protect ourselves against labour unrest by building up inventories as we do not know which supplier will be affected next. The timely evolution of a national labour relations policy is therefore awaited anxiously.

17. The success of our Company is rooted in the quality of our employees. If there is one thing which has become ever more apparent, it is how much of our success is due to the calibre of our employees at all levels and to the highly developed team spirit which is to be found in our organisation. We would like to take this opportunity to express our gratitude and to pay tribute to the support which the Company receives from all its workers and staff. With their devotion and hard work we shall continue to improve our performance and place the Company in a stronger position than ever before. Thanks are also due to our dealers and ancillary suppliers whose efforts and cooperation contributed in no small measure to the success of our operations last year.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

Trade Development Authority

Speech by

Dr. P. C. Alexander, Chairman

At the Seventh Annual General Meeting held at Bank of Baroda Building 16, Parliament Street, New Delhi-110 001 on June 24th, 1977.

Gentlemen :

It is indeed with great pleasure I welcome you all this morning at our Seventh Annual General Meeting. The Annual Report for the year 1976-77 together with the audited statement of accounts is with you. I am sure that you have had a chance to go through the report.

At the outset, let me place on record our appreciation of the valuable services provided by Shri S.G. Bose Mullick, the previous Chairman, and Shri A.K. Ray, our previous Executive Director.

As you are aware, TDA has now completed seven years of its fruitful operations in the field of export servicing. During this period, TDA has adhered to the principles on which it was established and has indeed been rendering unique services in the field of export promotion. It has evolved many novel approaches in the field of export services and its micro-level thrust has indeed made a significant contribution to the task of spreading the export-message among the Indian producers and building the right kind of image of India in the foreign markets.

You will be pleased to know that as a token of recognition of the significant contribution made by TDA, Government of India has awarded to TDA the National Award for Outstanding Export Performance during 1975-76. I should mention that the achievements of TDA are in no small measure a reflection of the active cooperation which the clients have been giving to it in its operations. I would like to congratulate both the TDA and its clients on this occasion.

I take this opportunity to outline the nature of the tasks ahead of us in the context of the developments in the world economy in general and Indian economy in particular. The world economic outlook has been undergoing significant changes in the recent past. We have witnessed crisis situations in the system of international trade and exchanges. While the oil producing developing countries have been able, to some extent, to alter the inequality in the trade exchanges with the developed world, the developing world, as a whole, has been worse off as a result of the collapse of the international monetary system, the inflationary situation in the developed countries that emerged in the wake of the oil crisis and the tendency on the part of some of these countries to adopt more inward looking and restrictive trade policies. Never before the inadequacies and the inequities of the international economic system have appeared so glaringly or been felt more acutely. The developing world, particularly the non-oil producing countries, had to face a situation in which they had perforce to accept a lowering of their rates of growth and larger sacrifices to maintain even the existing low standards of living. These developments also awakened a new sense of solidarity in the developing world which ultimately led to the stirring of the conscience of the international community which found its expression in the Declaration on the Establishment of a New International Economic Order at the Sixth Special Session of the United Nations' General Assembly in 1974. The basic restructuring of the international economic system visualised in this Declaration and the Programme of Action embraces the whole range of relationships in trade, industrialisation, food production, international monetary and payment system, transfer of real resources for development, transfer of technology and cooperation for development. In the field of raw materials and commodities, this Programme of Action led to the evolution of a comprehensive and multifaceted Integrated Programme for Commodities in the forum of UNCTAD. The major initiative taken for the liberalisation and restructuring of the world trade relationships in the Tokyo declaration of 1973 got a renewed impetus in this Programme of Action. The aspirations of the developing countries to transform the unequal trading and economic relationships into a more equitable system have been recognised in as much as the international community has accepted the principles of non-reciprocity and preferential treatment in favour of developing countries. However, the trend of actual negotiations, whether in UNCTAD, in regard to the Integrated Programme for Commodities and the Common Fund, or the multilateral trade negotiations in GATT under the Tokyo declaration, once more highlighted the gap between principle and practice. The resistance to the idea of the Common Fund intended to restructure the commodity world trade, insistence on reciprocity by certain developed countries in the forum of the multilateral trade negotiations, reluctance to place Generalised Scheme of Preferences on a permanent and negotiable basis —are all only symptoms of the absence of the political will on the part of the affluent world to bring about radical transformation of the existing system. The limited results achieved in the North-South dialogue recently concluded in Paris only illustrate this harsh reality.

The ethos of International Economic Cooperation cannot be sustained indefinitely if the developed countries fail to come forward with positive and adequate responses in the specific areas of negotiations. Above all, they must recognise that "restructuring" and not "reform" is the need of the hour.

Despite the adverse trading environment due, on the one hand, to absence of any perceptible movement towards the goal of restructuring of the world economic system and, on the other, the situation of stagflation in the developed world, the Indian export performance has been quite encouraging. During 1976-77, exports are provisionally placed at Rs 4980 crores as against Rs 4043 crores in 1975-76, showing a growth rate of 23 per cent. India's imports during 1976-77 are provisionally placed at Rs 4908 crores compared with Rs 5265 crores during 1975-76. Thus a trade surplus of Rs 72 crores has emerged for the first time in recent years. Major items that have contributed to the significant increase in exports were textiles, iron and steel, engineering goods, oil cakes, tea, pearls, precious and semi-previous stones, leather, marine products and iron ore. In fact, these ten commodities alone contributed to about 99.2 per cent of the overall increase in the value of exports.

Consistent with the growing trend of exports in the last few years and in keeping with the objective of achieving self-reliance through the increased export earnings, it would be our endeavour to step up our exports during 1977-78 to the level of Rs 5750 crores and

ircumstances are favourable ven to Rs 6000 crores. This arget is quite ambitious and vould call for a concerted effort by the exporting community as well as trade promotion organisations in the country. By and large, we expect the targetted increase to come from the items like engineering goods, iron and steel, iron ore, gems and jewellery, leather, marine products, tea, textiles, chemical and allied products. These indeed have been our growth areas in the past few years also. While we have not faced serious access problems in respect of many of these items, in the past, of late we have witnessed the emergence of protectionist attitude on the part of our some of major trading partners in the developed world. The restraints imposed by a number of developed countries on the entry of certain textile products is a case in point. While efforts are being made to meet this situation, it is clear that if the protectionist trends on the part of developed countries gain momentum, our task of realising the target will be that much more challenging and will call for a more imaginative and dynamic approach.

Over the years, a large number of organisations and agencies have come into existence to provide the services required by the exporting community. These organisations and institutions have provided necessary link between the exporting community and the Government, in the process influencing the policies of the Government, on the one hand, and the attitudes and the plans of the exporters, on the other. TDA is relatively a recent addition. With its multi-product approach and accent on the developmental aspects of trade promotion, TDA has performed a unique role in our export promotion effort. While the contribution made by TDA and other institutions in our export effort is duly recognised, there is a feeling that much better results could be achieved through a closer coordination between these institutions which would avoid duplication of effort and promote specialisation. To this end, Government has decided to streamline the existing export servicing agencies with a view to improving the quality of their services. In this background there is an urgent need for reviewing the present package of services, the range of products and markets serviced and the techniques employed by the TDA.

The contribution of TDA and its clients in the export effort has been significant. TDA's contributions are to be noted specifically in its assistance to the small scale units, which constitute 65 per cent of its clientele in expanding their exports. It has designed its activities so as to suit the requirements of the small scale sector.

The primary role of the TDA has been to act as a catalyst between its clients on the one hand and foreign buyers on the other, by providing a varied range of services aimed at a specific client, a specific buyer and a specific market. The details of TDA's export servicing activities during 1976-77 are given in the Annual Report. I would only highlight a few.

In the last year, TDA developed a novel export promotion technique — the buyer-seller meet. The four buyer-seller meets organised by TDA during 1975-76 and 1976-77 have gone a long way in bridging the information gap that existed between India and USA and in arousing interest of the US buyer in a wide range of non-traditional Indian products. This activity of the TDA was in addition to its annual programmes of participation in fairs and sponsoring of study and sales teams to its target markets.

Right from its inception, TDA has made significant contributions in creating export capacities. During 1976-77, five cases of capacity expansion for exports were sponsored by TDA. In these cases, the total imports of capital goods would be Rs 140.63 lakhs generating an estimated export level of Rs 17.12 crores over a period of five years. It is this sponsoring role of the TDA which is proposed to be strengthened in the future.

During the year, TDA has made significant contributions in the areas of policy-oriented research which has been of immense benefit to both its clients and the Government. Among such inputs, mention must be made of studies on Inter-firm Comparisons and the analysis of GSP utilisation. This analysis has helped the Ministry in its policy-making and brought out the fact that much greater efforts are required by Indian Industry to make it possible to reap the maximum benefits from the concession available under the various GSP schemes.

The TDA has also been catering to the information needs of its clients and of the exporting community in general. Indeed, recognising the fact that timely and accurate information is an essential input in the national export effort, Government has asked TDA to prepare a proposal for establishing a National Centre for Trade Information as an apex body in the information field.

These services, which the TDA has been providing since its inception in 1970, have contributed substantially in introducing new products in the sophisticated and highly competitive markets of the US, Europe and Japan.

As you all know, Government's endeavour is to control the rate of inflation and orient the economy in the direction of rural development and employment creation. Therefore, while promoting the exports of various items one has to take into account these two fundamental objectives of the Government. In other words, export policy and export promotion should fit into the overall economic policy of the country.

Therefore, there is an urgent need for restructuring the activities of TDA in such a way that trade promotion is consistent with our economic objectives. The employment effect of trade could be visualised both in terms of choice of export product, choice of technology of production, location of export industry within the country and choice of the markets. TDA should look into the possible conflict between the ob jective of export expansion and emway that both the objectives are realised to the best possible extent.

Another aspect of the new approach of the Government is giving priority to the domestic demand in the case of essential goods. This would imply additional responsibility for the exports of other goods in maintaining the tempo of overall export expansion. Presently, TDA handles a selected range of engineering products and soft goods. It would be necessary to review this product range and identify new products for inclusion keeping in view the overall objective of our Export Policy.

In my opinion their needs to be a greater orientation towards the clients of the services being provided by TDA. This would necessarily involve strengthening the services being provided in the fields of information, market surveys, research analysis, trade delegations, technological advice, product adaptation, Government clearances for expansion of capacity etc.

Furthermore, in its conceptualisation of various export promotion services and their implementation TDA would, in future, involve various other institutions such as Export Promotion Councils, Trade Fair Authority, Commodity Boards as effective partners.

I have indicated some of the key areas in which the export infrastructure will need to be revamped and streamlined in keeping with Government's objectives of securing a substanntial increase in exports during the current year and the possible role of the TDA in achieving this objective.

It only remains for me to express my gratitude to all of you for extending full cooperation to TDA during the past year. I would also like to thank all the members of the Steering Committee and various other institutions associated actively either directly or indirectly in TDA's export servicing effort.

N.B.: This does not purport to be a report of the proceedings of the General Meeting.

Finance Bill 1977-78

The Finance minister has announced various concessions in his budget proposals for the current financial year aggregating to Rs 21.6 crores. The principal beneficiary of the concessions is the small-scale sector. Among other things, he has liberalised the investment allowance, reduced the duty on controlled cloth by half and granted duty exemption to some categories of handlooms. Relief has also been provided to art silk industry, stainless steel rerollers, mini-steel plants and the film industry. The budgetary deficit, as a result, has increased from Rs 72 crores to Rs 93.6 crores.

MOVING THE Bill to give effect o the financial proposals of he central government for he financial year 1977-78 (Fin- nce Bill) for consideration, he Finance minister, Mr H.M. 'atel, said in the Lok Sabha n July 15: The main features f the proposals contained in he Bill have been outlined in ny budget speech. The de- ails of these proposals have een explained in the Ex- lanatory Memorandum cir- ulated to hon'ble members long with budget papers. I do ot, therefore, propose to take he time of the House by going ver the same ground again.

During the general debate n the budget, hon'ble mem- ers had made certain sugges- ions in regard to the provisions ontained in the Bill. I am rateful to the hon'ble mem- ers and to all others who ave made constructive com- nents and suggestions. I have iven careful thought to these uggestions and have decided o modify some of my original roposals in the light of these uggestions. With the indul- ence of the House, I will riefly explain the main chan- es that are proposed to be nade in the provisions of the ill. I shall first deal with the udget proposals for direct axes.

The Bill seeks to extend the scope of investment allowance to all industries, except those which are engaged in the manufacture of low priority items specified in the new Eleventh Schedule proposed to be inserted in the Income-tax Act. The Bill does not make any distinction in this regard between small-scale industrial undertakings and other undertakings. Hence, like any other industrial undertaking, a small-scale industrial undertaking will not be eligible for investment allowance if it is engaged in the manufacture of any low priority item. However, keeping in view government's overall policy to encourage and assist the small-scale sector, I propose to modify this provision so that all small-scale industrial undertakings remain eligible for investment allowance even though they might be engaged in the manufacture of low priority items.

New List

It has been represented that some of the industries which have been included in the Eleventh Schedule are not really low priority industries. It has also been represented that certain articles and things which cannot be regarded as items of luxury have been included in the list of low priority industries. On a careful consideration of these representations, I have decided to exclude certain items from this list. These are refrigerating and air-conditioning appliances and machinery; watches; computers, including central processing units and peripheral devices; motor cars and motor cycles, scooters and other mopeds; forklift trucks and platform trucks. With a view to maintaining parity of treatment between latex foam which uses natural rubber and polyurethane which is a plastic using imported material, I propose to enlarge the entry relating to "Latex foam sponge" to include polyurethane foam.

Investment Allowance

The Bill provides for the grant of investment allowance at the higher rate of 35 per cent in respect of machinery or plant installed for the purpose of manufacturing any article or thing by using know-how developed in government laboratories, public sector companies and universities. It has been represented to me that this provision discriminates against other institutions which are also engaged in useful research. I recognise the validity of the argument and accordingly propose to extend this concession to cases where the article or thing is manufactured by using know-how developed in any other institution which is recognised in this behalf by the prescribed authority

With a view to encourage companies to undertake activities for rural welfare and uplift, the Bill seeks to provide that expenditure incurred by companies on any programme of rural development will be deducted in computing their taxable profits. As the co-operative sector can also play a useful role in this field, I propose to extend the scope of this provision to expenditure on rural development incurred by cooperative societies as well.

Rural Areas

Under the Bill, the expression "rural area" has been defined with reference to an existing provision contained in the Income-tax Act. Under this definition, rural area would mean any area which is not comprised within the jurisdiction of a municipality or a cantonment board having a population exceeding 10,000 or which does not fall within notified limits from such municipalities or cantonment boards. Under this provision, the central government can notify an area up to 8 kilometres from the local limits of such municipalities and cantonment boards. Having regard to the extent of urbanisation in areas contiguous to large cities and towns, the limit of 8 kilometres up to which such areas can be notified appears to be inadequate. It is, therefore, proposed to substitute this definition by

a new definition. Under the proposed definition, the central government will be empowered to notify areas up to 15 kilometres from the local limits of such municipalities and cantonment boards, which will not be regarded as rural areas.

In order to give a direct stimulus for the setting up of small-scale industrial undertakings in rural areas, the Bill seeks to provide that taxpayers will be entitled to a deduction of an amount equal to 20 per cent of the profits derived by them from small-scale industrial undertakings set up in such areas. Under the Bill, this tax concession will be available in cases where the undertaking begins to manufacture or produce articles after June 30, 1977 in any rural area. For this purpose, the expression "rural area" will have the same meaning as in the provision relating to rural development allowance.

New Definition

The effect of substituting the definition of the term "rural area" with reference to an existing provision in the Income-tax Act by a new definition, will be that, until a notification is issued by the central government under the new provision, all areas falling outside the local limits of municipalities and cantonment boards having a population exceeding 10,000 will be regarded as rural areas. In order to give adequate time to the central government to issue a notification under the new provision after the Finance Bill is enacted into law, it is proposed to provide that the tax concession in respect of small-scale industrial undertakings set up in rural areas will be available only where the undertaking begins to manufacture or produce articles after September 30, 1977.

Under the Bill, the benefit of carry forward and set-off of accumulated business loss and unabsorbed depreciation allowances will be available only in cases where a company owning a sick industrial unit amalgamates with another company. The provision, as worded, would not include a sick shipping unit. The shipping industry plays an important role in the national economy and also earns and conserves foreign exchange. It is, therefore, proposed to extend the scope of this provision to cases where a company owning a ship or ships and carrying on the business of shipping amalgamates with another company.

Indirect Taxes

May I now turn to the budget proposals in respect of indirect taxes. The intention which I had in mind in presenting my proposals to the parliament was not merely the augmentation of revenues but also the need to rationalise and simplify the tax structure. On the basis of representations and memoranda which I had received and personal hearings which I have given to individual and associations and also on the basis of large number of suggestions made in the House, I am proposing to make some significant modifications in my proposals on indirect taxes.

In the budget proposals, I had suggested a 10 per cent excise duty on five new items including :

(1) hand tools and small tools,
(2) weighing machines,
(3) watches, clocks and time pieces,
(4) electric light fittings,
(5) polishes, creams, and scouring powders.

I had also proposed an excise duty of 12 per cent on acetylene gas. While making these proposals, I had provided for an exemption in the case of small scale manufacturers for first clearance up to 1 lakh per annum. In view of the fact that most of these industries are being operated on a cottage basis and in view of the clear intention of this government to encourage their growth, I am proposing to give further relief to the smaller manufacturers by raising the exemption limit from Rs 1 lakh to Rs 5 lakhs in respect of the new levies. Further in the case of electric light fittings and certain categories of hand tools, namely, pliers, wrenches and screw drivers, I am proposing to extend the exemption limit to Rs 10 lakhs. In the case of polish, creams and powder which are manufactured by a number of non-power operating units, I am proposing complete exemption of all non-power operated units.

Major Changes

Members will recollect that I have proposed some major changes in the excise duty structure of the textile industry. The textile industry is undoubtedly a very important industry in our country and its healthy growth is therefore a matter of considerable concern to all of us. In formulating its textile policy, the government has consistently recognised the need to strike a balance between the various sectors of the industry, namely, the composite mills, the spinning mils, the power looms, the hand looms, the hand processors and the power processors. I have received a number of representations from all these interests and after careful consideration of these representations and after consultation with my colleague, the minister for Commerce, I am proposing the following modifications.

I had originally proposed the complete exemption of the power loom sector from the existing compounded excise levy. With a view to distinguishing between the power looms which are licensed by the Textile Commissioner and those which are operating without such a licence, I propose to impose a compounded levy of Rs 400 per annum per loom on the unlicensed power looms. This would mean that out of 80,000 odd power loom owners now operating in the country, 65,000 which are licensed, will not be required to pay compounded levy and 15,000 which still remain unlicensed will be subject to the levy.

Single Point Levy

Another measure of rationalisation which I had proposed on the basis of recommendations of the Jha Committee was the imposition of excise levy on fabrics on *ad valorem* basis and not on the basis of counts of yarn from which the fabric is made. In the case of composite mills, I had also proposed that the levy should be calculated at a single point namely, the fabric stage. It is my view that this approach was logical and reasonable as it related the impact of duty directly to the price of the fabric. It was, therefore, progressive in nature. There have, however, been some misunderstandings in the minds of various sectors of the industry and I have been advised that a sudden change in a long standing rate structure which is based on counts of yarn rather than on the actual price of fabrics would create disturbance in the market and might result in an increase in the cost of certain varieties o

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g in view the advice which I
ve received, I am proposing
e following changes :

) The duty on yarn which is consumed within a composite mill, will be charged separately at the same rates as the yarn which is cleared for consumption by the decentralised sector.

b) The rates of duty at the fabric stage would be maintained on *ad valorem* basis in respect of fabrics coming under coarse and medium varieties ranging from 20 per cent to 15 per cent as the price increases. However, in case of fine and superfine fabrics, the rate of excise duty will be maintained at 15 per cent irrespective of the ex-factory price of the fabrics. The notifications which had been placed on the table of the House will indicate that in respect of the cheaper varieties of cloth, the prices will be brought down and in respect of costlier varieties of cloth, there may be some rise. I feel that this is a step in the right direction and in the interest of the common man.

) I further propose that the rates of duty in respect of controlled cloth and drills should be reduced by 50 per cent of the normal duty.

(d) In my budget proposals, I had exempted inter alia, hand loom fabrics processed without the aid of power. As a further encouragement to the hand loom industry, I propose to exempt completely hand loom cloth which is processed with the aid of power in factories run by hand loom cooperatives or government organisations.

Members will appreciate that in recasting the duty structure of the textile industry, I have kept in mind all the interests involved. So far as composite mills are concerned, the adjustments on coarse and medium varieties and the rebates given on controlled cloth and drills would help them to stimulate production and would avoid any major disturbance in their existing price structure. The power looms in turn will receive protection because of the additional duties which the composite mills pay at the fabric stage.

Handloom Sector

The hand looms would receive protection both from the composite mills and the power loom sector because of differential in duty and the compounded levy we are placing on unlicensed power looms. In addition to this they will benefit by the exemption I am giving on processing with the aid of power. The interests of the hand processors are also protected particularly by the re-imposition of 15 per cent excise duty on fine and superfine cloth. It is my earnest hope that this total package would help the steady and healthy growth of the textile industry.

The prices of viscose yarn have recently risen because of the imbalance between supply and demand. This has caused considerable hardship to the power loom weavers. Government have, therefore, decided to allow liberally import of viscose filament yarn. I propose to exempt such imported yarn from the existing customs duty of 120 per cent *ad valoram*. I hope this measure will promote the art silk weaving industry and will help to bring down prices.

Film Industry

In my budget proposals, I had suggested re-structuring of the tariff rates in respect of exposed cinematographic films on the basis of duty of 10 per cent *ad valorem*. I had accepted the suggestion on the basis of recommendations which were made by a seminar of the Film Industry which was held last year. I have received strong representations from all sections of the Film Industry that it would be extremely difficult to work out a levy based on value. It has been further urged that the Film Industry is a highly risky business subjected to periodical failures and that there was no necessary relationship between cost of prodution and profitability. The general consensus appears to be that the success and profitability of films are largely reflected in the number of prints which are made. I have considered this matter very carefully and I also had consultations with the minister for Information and Broadcasting. Taking into consideration the special features of the Film Industry. I propose to simplify the levy of excise duty by levying the duty on the basis of prints. I propose complete exemption from excise duty of the first 12 prints. This would afford relief to low budget films made in regional language and art films. For further prints, I am proposing a sliding scale based on a progressive increase as the number of prints goes up. I am also simplifying the procedure by removing reference to the meterage of the films. In the case of colour feature films not exceeding 4000 metres in length, the duty per print will be NIL on the first 12 prints, Rs 2,500 on the next 12 prints, Rs 7,500 on the next 12 prints, Rs 15,000 on the next 12 prints and Rs 18,000 on the subsequent prints. For black and white films the rates will be 60 per cent of the rates leviable on colour films. In the case of films which are beyond the standard length of 4,000 metres, I am proposing an additional levy of 25 per cent.

Revised Rates

In respect of prints of old films cleared more than a year after the release of the film for public exhibition, the duty shall be limited to that leviable on the first dutiable slab. The revised rates of duty will, I hope, bring in a revenue of about 2½ times the existing revenue. The revised rates will be brought into effect by issue of notification after the Finance Bill is enacted. These will, however, apply to clearances from June 18. I am sure that the film industry will welcome this rationalisation and not hesitate to make their additional contribution to the public exchequer.

In my budget proposals, I had exempted from duty identifiable types of fresh melting scrap used by the mini-steel plants. I have received a number of representations from the mini-steel industry urging that the industry is today facing a very difficult position and is unable to survive. I have had detailed discussions with my colleague, the minister of Steel and Mines in order to

appreciate the problems confronting the mini-steel industry. The minister of Steel and Mines is also of the view that this industry is on the verge of a serious sickness and it would, therefore, be necessary for government to think of an integrated package of measures for its revival. These measures would include diversification and rationalisation of some of the units which are capable of being made viable. For this purpose, proposals made to IDBI will be examined on merits. It is my firm conviction that totally uneconomic units which have no chance of survival even with these measures should not be brought up on artificial crutches.

Imported Scrap

As a measure of support to the industry, I am proposing to exempt imported scrap for the mini-steel plant from the payment of customs duty. I also propose to exempt the mini-steel plants from the excise duty of Rs 180 on steel ingots. The current duty of Rs 380 per tonne on the integrated steel plants would, however, continue. I hope all these measures put together including the duty concessions will help in the process of revival of this industry.

I have received numerous requests for exemption of industries from the general levy of 2 per cent on factories which have a turnover exceeding Rs 30 lakhs. I had already announced certain concessions to daily newspapers. I propose to extend these concessions to periodicals also. Further, I propose to exempt aluminium utensils from the proposed two per cent levy as these products are consumed on large scale by poorer and middle class sections of the society.

I have received strong representations from the stainless steel re-rollers protesting against reduction of import duty on stainless steel sheets from 320 per cent to 120 per cent *ad valorem*. The re-rollers urge that it would now be impossible for them to compete and that the industry will become sick. I must point out that the current level of duty of 320 per cent was only introduced last year and the previous level was 220 per cent. It would appear, therefore, that while granting a measure of protection to the stainless steel re-rollers, the protections should not be excessive particularly in view of this government's determination to bring down prices. I recognise, however, that we should not take any steps which may damage the interests of an indigenous industry. In our anxiety to reduce prices, we cannot at the same time, destroy a genuinely small scale industry composed of several hundred units which had come into being during the last ten years and had by now developed a sizeable re-rolling capacity. I consider it is necessary, therefore, to revise my earlier proposals so that consumer and producer interests are both safeguarded. I propose accordingly to fix uniform duty on stainless steel plates, sheets and strips at 220 per cent *ad valorem*.

Regulated Imports

Further, the imports will be so regulated that the interests of indigenous industries of stainless steel, stainless steel re-rollers and producers are all safeguarded. In the case of import of stainless steel for the manufacture of capital goods or their components, the rate of duty will be fixed at 40 per cent subject to adequate procedural safeguards. In the case of stainless steel strips of 30 BG and thinner imported for the manufacture of foutain pen nibs, razor blades and watch straps, the current duty of 120 per cent will continue.

As a concession to the newspaper industry, I had reduced the import duty on newsprint from 5 per cent to 2 per cent under the budget proposals. As a measure of further relief, I propose to completely exempt newsprint from levy of import duty.

Certain other modifications have also been made in the budget proposals, details of which are contained in the notifications being issued today.

Net Effect

The net effect of the proposals mentioned by me will be a sacrifice of revenue to the extent of Rs 21.6 crores.

During the course of the budget debate and also during the course of various discussions I have had in the past few weeks with those who have submitted memoranda to me, general questions about the health of various sectors of the Indian economy have come in for consideration. I recognise without hesitation that though formulation of tax policy may seek the mobilisation of resources, it must also examine with great care the state of health of the concerned industry and must assist its growth and development for the protection both of the investors as well as of the consumers. In proposing the various modifications which I have done today, I have tried my best to keep in mind this concept. I believe, however, that the health of an industry is the result of a composite set of economic factors, including supply and demand conditions, technological advancement, diversification, [illegible] and modernisation, efficient management, optimum utilisation of inputs, high capacity utilisation, cordial relationship between management and labour and, let me add, the framework of taxation measures. We have noticed that in recent years many industries, which at one time were very healthy, are now becoming sick. This creates a major national problem from the point of view of production as well as of employment. Government has often been forced to step in to take-over such sick industries. It is my intention to examine on a continuous basis in consultation with my colleagues measures to be taken for revival and revitalisation of all sectors of the economy. I must re-emphasise that while I am prepared to adopt a pragmaic attitude in the matter of tax policy, the difficulties of sick industries cannot be laid solely at the door step of the tax collector and a composite package of economic and managerial measures would be required to revive sick industries back to health.

Suggestions Hailed

I must express my sincere sense of gratitude to the members of the House and also to a large number of citizens and tax payers who have during the past few weeks been good enough to make a number of constructive suggestions. I may assure all of them that I had personally applied my mind to each one of these suggestions and wherever I found suggestion to be reasonable, I had accepted them and included them in the modifications proposed today. I hope that the House will now carry the Bill with the modifications now suggested.

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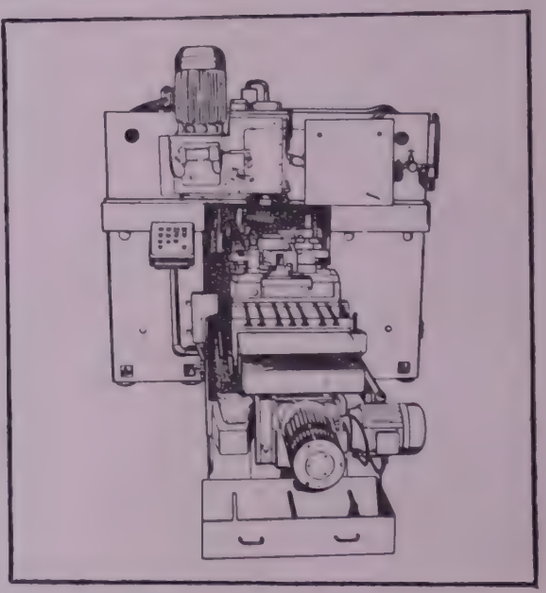
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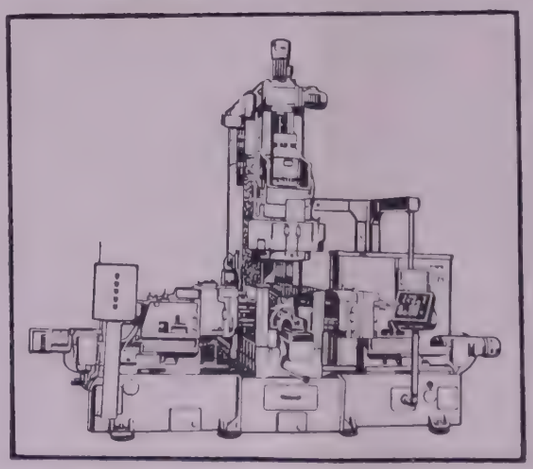
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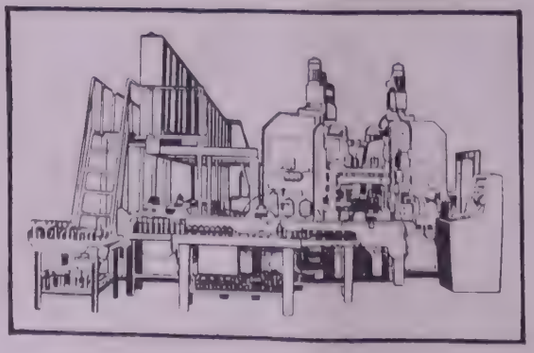


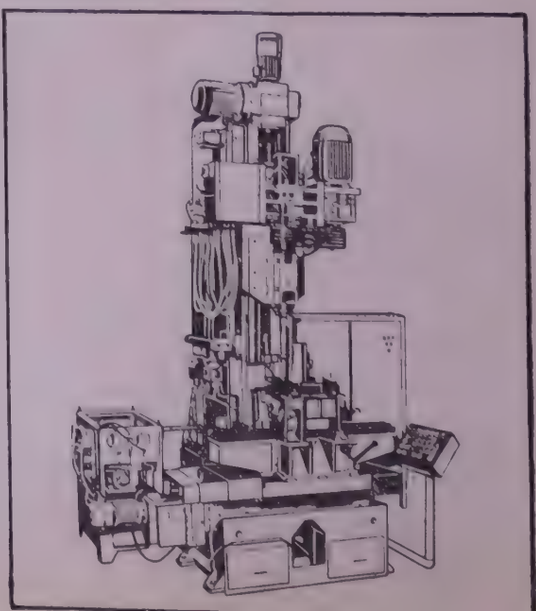


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Tea time

CONTRARY TO the popular impression, the prime minister has a great capacity for effortless banter with sweet young things. Militant women crusaders, however, are a different kettle of fish. A cackle of them was apparently able to throw him off his poise in Bombay the other day. Confronted with the demand that the government should immediately bring down prices, Mr Desai reportedly has promised to impose a ban on the export of a number of essential commodities which are in short supply or have become expensive in the domestic market. Included in the list is, of all things, tea. This country is at once the principal producer, the largest consumer and the main exporter of tea in the world. There is absolutely no reason to suppose that any of these three crowns need to be dropped or that it will be in the national interest for this to happen.

While tea production and potential are sufficient to cater to both home needs and export requirements, domestic consumption has been rising faster than the export off-take. In 1976, this country produced 512 million kgs of tea or 25 million kgs more than in 1975. This increased output provided for an addition of 18 million kgs in supplies available for domestic consumption, taking the total to 287 million kgs. It also helped to release seven million kgs more for the export trade, taking the total in this case to 225 million kgs. In other words, exports went up, but not at the expense of domestic consumption which rose even more sharply than exports. In the current year, prospects for tea production are even brighter, thanks to the high and rising level of demand, both internal and external. Output is expected to go up by another 45 million kgs over and above the increase of 25 million kgs during last year. This means that the country's tea production in 1977 will be comfortably in excess of 550 million kgs.

As a measure of abundant caution the government has fixed the export target at 225 million kgs, i.e., at the level of 1976 exports, although the industry and trade seem to feel that 230 million kgs or even more could safely be exported, without these shipments cutting into supplies needed for meeting the growing consumption of tea within the country. However, there is no serious difference of opinion between the Commerce ministry and the tea interests over the export ceiling. On the contrary, the latter are fully conscious of the great importance of steadily rising domestic consumption to the economy of tea-growing which is heavily dependent on price and demand movements in the highly competitive international trade in this commodity. The tea trade and industry, in other words, are wholly with the government in its effort to ensure that there is no shortage of tea for domestic consumption.

There is, however, the issue of prices. A year ago tea of ordinary quality was retailing at Rs 12 per kg in the domestic market. Lately the price has been around Rs 20 per kg. Consumers in the lower and middle income groups naturally feel the pinch since tea-drinking for them seems to have ceased to be a relatively inexpensive habit or daily routine. Conscious of the all-round rise in the prices of articles of daily consumption, price-resisters, equally naturally, are determined to exert pressure on the government to bring down the price of tea. Since tea is also being exported in large quantities, the price-resisters seem to have come to the conclusion that exports should be banned or at least drastically restricted if the common man in India is not to be forced to pay through his nose for his cuppa.

What is difficult to understand is why the government should be ready to make this simplistic argument against exports its own. It knows or ought to know that the country's tea economy will collapse if the tea export trade is thoughtlessly interfered with. The tea industry already contributes about Rs 500 crores to our GNP. Its annual earnings of foreign exchange have been of the order of Rs 200 crores or more and its contribution to the public revenues through export duty alone, at the present rate

of Rs 5 per kg, will exceed Rs 100 crores, while the yield from central excise will be more than Rs 60 crores. Tea exports are therefore not a matter to be treated lightly and it is imperative that the government should be more serious and thoughtful while talking about exports.

This is not to say that the Indian tea industry does not owe a duty to domestic consumers, who are its main customers, to keep internal prices at a reasonable level. Tea producers seem to be willing to cooperate with the government in any legitimate strategy for bringing down domestic prices without harming the national interest in the world market for tea. At the same time, it is being pointed out that the Commerce ministry's maladroit moves to force down the price of tea has already done injury to export earnings and may do more damage if that ministry does not realise in time the folly of careless talk.

loss to small growers

While domestic tea prices have not appreciably eased as a result of the Commerce minister's aggressive statements, the small growers and the small traders especially are suffering losses as a direct result of the nervousness in market sentiment generated by official attitudes. With a view to correcting this unhealthy situation, responsible tea interests have proposed that a scheme should be devised to enable the country to take optimum advantage of the high prices prevailing in the importing countries, while prices for the Indian consumers are brought down to reasonable levels. Otherwise the minister's threat to force down tea prices indiscriminately would only encourage foreign buyers to keep away, as has been happening already in the case of Russian buying interest.

Once this trend gathers momentum, Indian producers will be compelled to part with their output on prices lower than what consumers abroad are prepared to pay or are paying. This would mean that importers of tea in the UK and other tea consuming countries would be making windfall profits at the expense of traders, planters, workers on tea estates and public revenues in our country. It could also mean that smuggling for re-export will be stimulated. In this process the country's foreign exchange earnings will also be subjected to avoidable losses. The government should therefore hold consultations with the tea industry and trade on ways and means of insulating domestic prices from the effects of the export boom. In other words, the government's aim should be to bring down domestic prices without affecting foreign exchange earnings available to the country by virtue of the high export prices resulting from the logic and compulsions of the prevailing supply-demand situation in the world market.

fixing floor price

Here, the first step suggested for New Delhi's consideration is that a floor price of Rs 18 per kg should be fixed at the auctions for tea going into the export channel. Once protected by this safeguard against the depletion of export receipts, the tea industry and trade would be in a better position to cooperate with the government in making supplies available to domestic consumers at substantially lower prices. In order that the floor prices at the auctions become effective, the government should devise a scheme for ensuring that virtually the whole of the tea produced and marketed is offered at the auctions and not directly. Currently deliveries at the auctions amount to about 60 per cent of the output and the government's aim seems to be to step it up to a percentage of 80. It could however aspire to do better. The setting up of the requisite machinery need not present serious difficulties. The example of the Indian Coffee Board is already there and it should also be borne in mind that Brazil, for instance, has been fairly successful in insulating domestic coffee prices from the impact of the boom prices in world markets.

The important thing is that the government should be able to appreciate the sea-change that has taken place in the world market for tea. Historically, tea-exporting countries have been selling their produce dirt cheap to consumers abroad. Although they have been attempting separately or collectively to secure more remunerative prices, they have not been able to do so because of the relative weakness of their bargaining position vis-a-vis the tea-importing countries due to various reasons. Moreover, tea-consumption in importing countries was always assumed to be highly resistant to increase in prices. This myth has now been shattered for all time to come. In March 1976, quality tea was selling in the London auction at 73 pence a pound. In the second week of March this year, the price was ruling at 186 pence and in the subsequent fortnight the market raced to 289 pence a pound for quality teas, 270 pence for medium teas and up to 250 pence for plain varieties.

This spectacular spurt in prices was due to a combination of developments on the supply and demand sides. There was somewhat lower production in Sri Lanka and Uganda during 1976, a shortfall of 40 per cent in world coffee production, which forced up coffee prices, turning people to tea and a general increase in tea consumption all over the world.

reaping dividends

The prevailing boom prices should make sure that output of tea will catch up with demand, while it is obvious that the world coffee shortage will also be made good in due course. Nevertheless it has been demonstrated that consumers of tea in the importing countries are prepared to pay much more for this commodity than what they were actually paying for it in the past. This is bound to effect a change for the better in the world tea trade from the point of view of tea-exporting countries. The government of India, along with the governments of other tea-exporting countries, has been spending large sums for years on tea promotion abroad and now the tea-exporting countries have been presented with opportunity of reaping rich dividends from the boom in the world tea market. It is therefore in nobody's interest that the Commerce ministry should act in a manner that prejudices the nation's legitimate expectations of export earnings from tea.

In particular, this ministry should take care not to create any public prejudice against the increased profits now accruing to the tea industry as a result of the export boom. Public revenues are entitled to a cut in these profits and the government may even raise the export duty

perhaps in terms of a slab system related to export prices, if, after careful consideration of world market conditions. it is found that a higher rate of duty is viable and could be sustained. Steps may also be taken to ensure that a sufficient part of the increase in earnings of the industry is utilised for stepping up the rate of replantation, increasing the expenditure on inputs which contribute towards raising the yield per hectare and on research and development, especially in the area of plant breeding and propagation and improving the living conditions of workers on tea plantations, particularly with regard to housing, which is in a deplorable state on an unconscionably large number of plantations.

In this connection the truth should not also be lost sight of that the tea industry has been depression-prone and that even today the financial position of many tea estates is far from enviable. If the Indian tea industry is to utilise the opportunities of the present export boom in a proper way so that it may be able to produce more tea at less cost to the benefit of the domestic consumer as well as to the advantage of its competitive position in the world tea trade, the government should stop flourishing the big stick at tea exports or profits, under the mistaken impression that thereby it is serving the interest of domestic consumers. As a matter of fact, the Indian tea industry itself has a clear vested interest in the internal market being strong and dynamic, since the tea-drinkers in India actual or potential, are its major customer. The government thus has a reasonable guarantee that the tea interests will cooperate with it willingly in any major design to prevent the steady growth of domestic consumption being jeopardised by shortages of tea or excessive increases in its price in the domestic market. In any case, about the former, neither the public nor the government need entertain anxiety, given supply prospects and as for the latter while the assured adequacy of supplies should itself have a healthy impact on prices, the industry has expressed its readiness to cooperate with the government in maintaining a reasonable level of prices for the domestic consumer without prejudice to its legitimate claim to benefit from the higher prices prevailing in the world tea market.

New deal for the janata investor

THE PRESENT Finance minister could no doubt recall readily a time when the then Finance minister would not hesitate to tell parliament that the government had an obligation to "stabilize" share values since this was necessary not only to protect genuine investors but also to promote a healthy investment climate. That kind of talk has not been heard for years. On the contrary it has become an official dogma that movements in equity prices are of no relevance to the national economy and it is therefore no concern of the government whether stock exchanges are in good shape or in a depressed state. In striking this pose the government might only be trying to make a virtue of necessity. New Delhi's fiscal or other economic policies have uniformly been unhelpful or even unfriendly to corporate growth, profits, dividends or capital appreciation. It follows that the government is tempted to excuse itself by arguing that the behaviour of equity prices or the responses or reactions of the stock exchanges to the government policies are of no moment to the real progress of the economy.

There is no evidence yet that the recent change in the political complexion of the government at the centre would lead to a departure from past attitudes. The rationalization of the taxation of capital gains effected in the first budget of the Janata government has undoubtedly been a contribution towards restoring liquidity to investments besides redressing to some extent the wrong done by taxing what can only be notional gains in capital assets in an age of inflation. But, as against this solitary gesture of goodwill, the capital market has to reckon with a number of actions and decisions of the present government which are hardly helpful to savings or investment. For instance, the increased taxation of incomes in the higher brackets and the continuation of the compulsory deposit scheme for income-tax assessees are not conducive to the encouragement of voluntary household savings which constitute the back-bone of capital formation in the national economy.

listless market

In the wake of the central budget share prices have been drifting listlessly and there has even been a retreat in equity shares on a wider front. The lowering of interest rates on bank deposits should normally be a bullish factor for the stock exchanges, but it is quite possible that the net effect of a reduction in the rates of interest on bank deposits will be to discourage savings in the aggregate. There have of course been a number of political developments which are having a bearish impact on equity values. The pronouncements of some of the central ministers, moreover, have done nothing to reassure the corporate sector or investors in equities. Moreover, industrial peace is coming under stresses and strains while power shortage is posing a threat to the full or orderly working of industrial units in various parts of the country. Consequently equity values have become quite vulnerable to even marginal deterioration in or minor set-backs to market sentiment.

This weakness in share values need no be regretted provided it helps or is allowed to help the market to move towards mor realistic levels of prices in an orderl fashion. "Realistic", in this contex would mean "lower", since, in terms current yields or prospects of capital ap preciation, equities are generally ove priced. This is one of the reasons wh even such investible funds as there may b are not actively looking for opportuniti in equities.

Although the movement of share pric to lower levels may, in the first instanc result in a depreciation of capital for equ ties, investors as a class may benefit in d course by returns on equity investme being restored to reasonable levels. Ev in the short period, the depreciation share values need not result in anyth more than notional losses since, exc where there is distress selling, invest would rather choose to hold on to th

equity portfolios rather than shed their holdings in a retreating market. Given the government's general attitude and policies towards corporate earnings and profits, the best that may happen to the stock exchanges would be, paradoxically enough, an orderly downward course in equity values.

rethinking needed

This corrective process would be greatly facilitated if institutional investors would do some rethinking on their investment policies. Many of the institutions in question, notably the LIC, have been showing a preference for the shares of established companies as distinct from the capital issues of new floatations. It is this attitude or policy which is largely responsible for sustaining artificially high level of equity prices, thereby depressing their yields and discouraging individual investors from showing any constructive interest in equities. It is clearly in the larger interest of the national economy that the LIC and other institutional investors should restructure their investment portfolios in such a way that more and more prominence is given to new capital issues. Simultaneously, these institutional investors should also work out a programme for shedding their holdings of the shares of established companies in a planned manner and gradually so that the market could absorb these sales smoothly, without undermining the confidence of individual investors.

Provided these operations are carefully phased and efficiently conducted, the institutional investors need not suffer any loss of their earnings or depreciation of their investment portfolios, while more and more private investors will enter the share market and take up the equities of established companies as lower prices lead to the restoration of reasonable rates of yield. The suggestion that share prices should be deliberately helped to move downward would no doubt invite the initial hostility of those who may have come to believe that the only way to improve the investment climate is to stabilize equity values or assist in the recovery to higher levels. But a moment's consideration will show that, given the realities of yield rates and prospects of capital appreciation, the current level of share prices is highly artificial in the sense that it discourages interest on the part of individual investors. The test of a proper level of prices is whether trading is active. Current levels of equity values obviously fail this test.

As was pointed out earlier, this is largely because institutional investors are showing an excessive preference for the shares of established companies as against new issues. The resources of institutional investors should obviously be geared to the promotion of further growth in the capital sector than to trading in the shares of established companies. Moreover, the Finance minister's expectations of improved liquidity of investments in equities can hardly be realised so long as the LIC and the other institutional investors are sitting pretty on their holdings of the shares of existing companies. Where there is a shortage of scrip, thanks to the investment policies of institutional investors, trading in shares must continue to be restricted by its narrow base, thereby shutting out potential investors among the general public.

The situation has not been improved by the convertibility clause for loans in excess of Rs 25 lakhs made to companies by the government or semi-government financial institutions. Business leaders such as Mr G.D. Birla and Mr J.R.D. Tata, have pointed out how much of a psychological disincentive to capital investment and industrial expansion the mandatory nature of this clause is. However, the mischief of this stipulation is not confined to its adverse repercussions on investment sentiment. It also does material harm to the liquidity of the share market by reinforcing the disposition of the public financial institutions to hug their equity portfolios to their bosoms as long-term investments because of the authority or influence this gives them over the boards or even the day-to-day management of companies.

In his annual statement as chairman of the Tata Iron and Steel Company, Mr J. R.D. Tata has therefore suggested that the government should abolish the mandatory feature of the convertibility clause, leaving it to lending institutions to exercise their own judgment. In case the government is not willing to consider the total abolition of this feature, Mr Tata would ask it to be made applicable, as it was earlier, to cases where a company may fail to fulfil the terms of a loan. Since it is unlikely that the government's monetary or fiscal policy, not to speak of its general economic policies, will be changed sufficiently or changed early enough to bring about a revolutionary improvement in the equity market, it is surely desirable that the government should at least do away with administrative regulations which are restrictive of the proper functioning of the capital market.

Reorientation of export policy

MR MOHAN Dharia, the union Commerce minister, announced recently that the government of India was drafting a new export policy resolution incorporating the priorities fixed by the Janata government. Mr Dharia said that this would replace the export policy resolution which was adopted by parliament in 1970. The Commerce minister made these remarks while addressing in New Delhi a meeting of the chairmen and secretaries of all export promotion organisations. But has the ministry asked them for their suggestions in preparing the new resolution on export policy or have they, of their own accord, offered their views? It will be desirable for the Commerce ministry to ascertain what these bodies have to say about export prospects and problems and in what directions the resolution is to be drafted. The resolution of 1970 had said that the effectiveness of the services provided by the export promotion councils and commodity boards would be improved and that the responsibility for the execution of development programmes and the achievement of time-bound targets would be fixed on them. But to what extent have these objectives been achieved in the last seven years?

The export policy resolution of 1970 was a long-winded document, covering every aspect of export promotion. It referred to the export potential of agriculture, horticulture, sericulture, engineering, forestry, fisheries, chemicals and other

dustries as well as to various problems ke quality control, market research, role f the public sector and the banks, shipp-g, publicity, UNCTAD, and so on. In lacing the resolution before parliament, he government expressed the hope that xport would be viewed as "one of the ightest national commitments" and that the people would extend to it their whole-earted support and accord due recogni-on to those engaged in it". It seems oubtful however if the government epartments concerned and the exporting ommunity took the trouble of reading he entire resolution and understanding s importance and implications. Ir Dharia would do well to make the ew resolution as brief and specific as ossible, concentrating on a few major sues and clarifying the government's olicy.

The Commerce minister has said that hile the government would give over-ding consideration to the domestic needs f the people regarding exports of essen-al goods of mass consumption, this did ot necessarily mean that the export of uch items would be permanently stopped. Ie has observed that while most of the ssential articles of mass cousumption are gro-based, there is vast scope for increas-g the production of almost every agri-ultural item.

exportable surplus

The resolution of 1970 had also dis-ussed the implications of curtailing omestic consumption for promoting xport. It had said: "Exportable surpluses o not always arise automatically. Some mes when there is a shortfall in produc-on or indigenous production on an ade-uate scale is yet to be developed, there ends to be a temporary conflict between omestic consumption and export. Since xport markets once lost can hardly be egained, a part of the production must lways be made available to earn needed oreign exchange through, if necessary, emporary restraints on home consump-on. The question of restraint will be ecided in consultation with the ministries oncerned, keeping in view the degree of ssentiality of the production in question or industrial use or consumption at ome". The government has to take proper care to ensure that the export drive does not result in scarcity for the home market. In implementing this policy, the Commerce ministry should be in constant touch not only with the other ministries but also with the state governments and the industrial associations concerned. The government of India should also improve its machinery for the collection of statistics so that it will have a clear idea of the trends in the production and consumption of essential items.

role of public sector

The role of the public sector is another important issue that the government should clarify in its new export policy. The resolution of 1970 had said: "The role of the public sector in the develop-ment and expansion of our foreign trade will be expanded progressively and sub-stantially. Its competence to penetrate new markets and to market new products as well as to provide merchandising services to Indian producers will be built up. Special attention will be paid to forge enduring relationship with procure-ment authorities and trading firms and organisations in overseas countries. New patterns of relationship with state trading organisations in other countries will be evolved. This effort will be spearheaded by the State Trading Corporation of India and the Minerals and Metals Trading Corporation of India. Subsidiaries of these corporations will be organised and new public sector agencies will, wherever and whenever necessary, be created".

How far does the present government agree with these views? Mr Dharia has asked the Indian Institute of Management in Ahmedabad to conduct a study into the working of the STC and the MMTC. But what exactly are its terms of reference and when is it expected to submit its report? The working of the state trading agencies has come in for considerable criticism not only from industry and trade but also from parliament, the general public and several independent research organisations. The public sector's role in foreign trade should be decided not on ideological con-siderations but with reference to its ability to contribute to the earning and saving of foreign exchange. It will be desirable to promote healthy competition between the public sector and the private sector so that the country can derive the maximum benefit.

The government of India can evolve and implement an intelligent export policy only if it has made up its mind clearly about the strategy for economic development. Ministerial pronouncements on industrial policy have lacked clarity and consistency and are not coducive to enable industries to undertake programmes of expansion and modernisation on a long-term basis. The export policy re-solution of 1970 had assured that every effort would be made to assist industries to achieve economies of scale, improve effi-ciency of production, reduce costs and adapt production to meet the needs of foreign buyers.

But can export industries play their role effectively if official policy is biased against bigness? Mr Charan Singh, the union Home minister, has said that large industries should cater only for export markets. Mr George Fernandes, the union Industry minister, has given the impression that the government does not favour the expansion of the so-called large houses.

sharing world trade

The government of India and the Planning Commission should give careful consideration in formulating the industrial policy so that, apart from increasing pro-duction and creating more employment, it will help India to achieve a respectable share in world trade. As Mr B.M. Birla recently said, "The world trade is almost $ 1000 billion. Our share of it is only 0.5 to 0.6 per cent. The potentiality of this market is so great that it could pro-vide all the employment we need. Besides, our own consumption is bound to go up in course of time when we produce more. This will set a chain reaction and if free-dom is given to produce and consume, I have no doubt that this country, by the end of the century, can produce 16 per cent of the world production and consume it. If we produce 16 per cent of the world production, the total world GNP would possibly go up to 15 to 16 trillion dollars."

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Indira Gandhi and Eastern Economist

From the "Moving Finger Writes", June 27, 1969

THE CHOICE of a Congress candidate for the office of president is still very much in the melting pot. The pot perhaps looks more like a witches' cauldron and the resulting brew may quite possibly be very weird indeed. It may be claimed for the prime minister that hers is the least complicated approach. Mrs Gandhi's objective is, in fact, extremely simple. She just does not want any active politician at Rashtrapati Bhavan. Hence, her predilection for Mr V.V. Giri. He, no doubt, is an old war horse, but with the emphasis more on his age than on his history. True to her tortuous temperament, Mrs Gandhi has not so far (i.e., upto the time these lines are being written) indicated in so many words her preference for Mr Giri to anyone, including perhaps Mr Giri himself. In other words, the prime minister is being cagey and is waiting for her esteemed colleagues in the Congress hierarchy to place their cards on the table.

Fortunately for the quality of the game, the men on the opposite side of the table are no novices. Without committing themselves, they have let it be known, with varying degrees of definiteness, that they are not overwhelmed by Mr Giri's qualifications for being adopted as the party's candidate for the office of president. It has been suggested that Mr Morarji Desai perhaps has been a little more forthright in expressing this view than some others. Broadly speaking, more than a few of the veterans in the Congress hierarchy, with whom Mrs Gandhi will ultimately have to do business, have hinted at the eligibility of Mr Sanjiva Reddy. As for Mr Giri and Mr Sanjiva Reddy themselves, they have made no secret of their interest in the matter and in this sense it could be said that there are at present two names in the field, with Mrs Indira Gandhi more or less definitely disinclined towards the candidature of Mr Sanjiva Reddy, while a number of Congress veterans, whether inside the syndicate or outside, are clearly determined to prevent the prime minister once again providing herself with a president of her choice.

As things stand at present, it may be easier for Mrs Gandhi to oppose Mr Sanjiva Reddy's nomination as the Congress nominee than to impose Mr Giri on the Veterans. It follows that the possibility of a third name cropping up as a compromise candidate cannot be eliminated. In that case, Mr Jagjivan Ram and Mr Kamaraj may well be in the run. The former has committed a tactical mistake by announcing prematurely and rather unnecessarily that he does not want to enter the field. It now remains for him to try to repair the damage. As between Mr Sanjiva Reddy and Mr Jagjivan Ram, Mrs Gandhi may well be inclined to accept the latter as the lesser embarrassment.

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From the Leading Article, July 25, 1969

HELL HATH no fury, etc , etc

So "Indu" has had her private and very personal "moon-shot", sending the country spinning into a lunar wilderness of her making. For the past 22 years India, it is true, did not have too many achievements to be proud of. It was, nevertheless, possible for this nation to flatter itself that it had been able to achieve a certain extent of economic expansion under conditions of relative political stability. The question posed by the developments in the politics of the Congress party and the central government during and since the last session of the All-India Congress Committee, which was held in Bangalore, is whether this country would be similarly fortunate in the times that lie immediately ahead.

That the overnight nationalisation of 14 leading commercial banks is a simple act of political aggrandisement is clear enough. This decision of the central government has certainly been dictated by the confrontation between Mrs Indira Gandhi and the rest of the high command in Bangalore a few days earlier.

It is in this context that the summary dismissal of Mr Morarji Desai from the Finance portfolio, virtually forcing him to leave the government, acquires grave significance. When Mrs Indira Gandhi stood up at the meeting of the Congress parliamentary party last Sunday to claim her right to function without restraints in laying down the policy or determining the direction of the government, she was not by any means asserting an innocent right of a constitutional prime minister in a parliamentary democracy. She was attempting to appropriate to herself an arbitrary and absolute authority which would make nonsense of the essential processes of government by discussion and consultation. It was this point which Mr Desai was hoping to emphasize when he noted in his statement in the Lok Sabha on Monday that it was not possible for him to remain a passive observer of methods of government which were calculated to undermine democracy. Fortunately Mrs Gandhi's conception of what the party owes to her as its leader happens to be unrealistic in terms of the actual power structure through which the Congress party is functioning. This would indicate that, although she may appear to have won an immediate battle or two, she may yet lose the war, unless she realises in time that she cannot hope to run the government with the help of a coterie of cronies abetted by conspirators of the Left, whether within the Congress or outside.

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CAPITAL'S CORRIDORS

R. C. Ummat

Crude oil output • Drugs policy • Edible oils buffer stock • Interest rates

A SIGNIFICANT increase is expected in the domestic production of crude oil during the current financial year as well as the next year, the terminal year of the fifth Plan period.

The Oil and Natural Gas Commission, the public sector explorer, was anticipated to yield last year 5.7 million tonnes crude oil—5.2 million tonnes from its on-land concessions and half a million tonnes from the off-shore areas. While the production from the off-shore areas showed a marginal decline from the target, as it turned out to be only of the order of 0.41 million tonnes, the production from the on-land concessions more than counter-balanced this shortfall. It amounted to 5.34 million tonnes—0.14 million tonnes more than the target. This year, the ONGC is expected to yield from its on-land concessions 5.62 million tonnes and from the off-shore concessions 2.50 million tonnes—in all 8.12 million tonnes.

Oil India's contribution

The other explorer, Oil India—a 50 : 50 partnership between the government of India and the Burmah Oil Company—yielded last year 3.08 million tonnes crude oil from its north Assam concessions, equal to the target fixed for the year. It is expected to raise its production to 3.13 million tonnes this year.

The total production of crude oil in the country this year, therefore, should go up to 11.25 million tonnes from 8.83 million tonnes last year, 8.345 million tonnes in 1975-76 and 7.6 million tonnes in 1974-75, the year of the launching of the fifth Plan.

In 1978-79, while the production from the Oil India fields is proposed to be maintained at 3.13 million tonnes, that from the on-land concessions of the ONGC is envisaged to be stepped up to 6.35 million tonnes and from the off-shore concessions to 4.75 million tonnes. The total production in the terminal year of the fifth Plan, thus, is anticipated to be 14.23 million tonnes.

natural gas output

The production of natural gas, similarly, is anticipated to go up significantly this year as well as in the next year—from the ONGC's on-land concessions alone from 684 million cubic metres last year to 704.25 million cubic metres this year and 993.20 million cubic metres next year. No estimates are available of the availability of gas from the off-shore concessions of the ONGC as well as from the on-land concessions of Oil India. The latter yielded last year 1.282 million cubic metres of gas. But surely the off-shore concessions of the ONGC should throw up sizeable quantities of gas for commercial use.

The impressive increase in the production of oil during the current financial year and the next year from the off-shore concessions of the ONGC is expected because of the fact that the development of the Bombay High area, which has been divided into five phases, each envisaging addition of two million tonnes production potential per annum since the start in May last year, is proceeding according to schedule. This potential approximates an output of 40,000 barrels a day. In March last the rate of production from Bombay High was between 25,000 barrels and 30,000 barrels a day. By this time, the first phase of the development programme had been completed. The work on the second phase was also taken up simultaneously during 1976. It is expected that it would be completed by December this year, raising the production potential to four million tonnes per annum. The work on the third phase is proposed to be taken up soon so that it can be completed by the end of 1978-79. It will push up the production potential to six million tonnes per annum. The subsequent two phases will follow thereafter.

* *

A 10-point policy governs the union government's approach to the drugs and pharmaceuticals industry. It is the intention of the government to ensure that drugs are available in abundance throughout the country to meet the health needs of the people. It is also intended to progressively move towards self-sufficiency in drugs within a reasonable number of years (this number, of course, is not yet defined) so that imports can be brought down. The third prong of the strategy is to develop self-reliance in drug technology.

The other broad principles governing the policy are:

(i) making available drugs both to hospitals and to the common man at reasonable prices—for this purpose the system of price control may have to be continued;

(ii) in continuing price control, it is intended to ensure that reasonable return on capital is allowed to the industry;

(iii) provision of special incentives to firms which are engaged in research and development;

(iv) encouraging the growth of the Indian sector in the industry;

(v) according of the leadership role to the public sector in the manufacture of drugs;

(vi) ensuring that the foreign held companies operate within the parameters of the government's policies; and

(vii) keeping a careful watch on the quality of production and prevention of adulteration and malpractices.

In the production field, the three sectors, namely, public, Indian and foreign, are to be assigned specific roles

which are vital to the national programme, are to be produced as far as possible in the public sector. The other areas of production where technology is available and the Indian sector is capable of arranging the requisite technological, managerial and financial resources may be entrusted to the Indian sector only. High technology oriented areas requiring substantial investment and where the public sector and the Indian sector may not be able to fill the gap between the demand and the availability, specially of drugs concerning tropical diseases, may be open to all the three sectors, including the foreign sector. Drug by drug studies have been undertaken and three lists indicating the items to be manufactured in the public sector, the Indian sector and the production of which will be open to the three sectors have been drawn up. Steps have been taken to increase the output of bulk drugs required for producing 117 essential formulations identified by the Hathi Committee for mass consumption.

separate licences

The government has decided that the undertakings holding licences for the manufacture of drug formulations would not be allowed to produce bulk drugs on the basis of these licences. These undertakings, therefore, will have to take out separate licences if they want to manufacture bulk drugs. It has been clarified officially that bulk drugs cannot be treated as intermediates for the preparation of necessary drug formulations. An undertaking holding a licence for the manufacture of formulations, consequently, cannot automatically be entitled to produce the concerned bulk drugs. Such of the drug campanies as are holding industrial licences for the manufacture of formulations can undertake production of bulk drugs even for captive consumption only after obtaining separate industrial licences for the production of such bulk drugs.

The union minister for Petroleum, Chemical and Fertilisers, Mr H.N. Bahuguna, has announced recently that his aim is to put up at least one drugs formulation plant in every state. He also desires that the pace of research and development work in the drug industry in the country should be quickened.

* *

The union government is understood to have decided to set up a buffer stock of edible oils and oilseeds. The policy in this regard is expected to be announced shortly.

The buffer stock is proposed to be built up not only by augmenting the domestic production of edible oils and seeds but also through phased imports. A good deal of emphasis is envisaged to be placed on the development of non-traditional oils such as cottonseed and rice bran oils for human consumption.

The government proposes to make purchases in the open market immediately after the harvest as is being done in the case of foodgrains. Minimum procurement prices are proposed to be fixed for some oilseeds, keeping in mind the interests of the small farmers. Open market purchases by the government, it is felt, will obviate undue decline in prices of edible oils in the immediate post-harvest period to the detriment of the farming community and will help in containing the prices in the off-season when releases from the stock would be made. The decision on the procurement mechanism as well as the agency or agencies to be entrusted with the task is likely to be taken in the next few days.

The domestic output of oilseeds is envisaged to be stepped up through augmenting to the extent possible the acreage under them as well as through improvements in farming techniques. The assurance of a reasonable minimum price to farmers, it is hoped, will even otherwise help in pushing up the output of oilseeds. The farmers are also to be encouraged to use fertilizers for the production of oilseeds.

Another important prong of the strategy is envisaged to be the improving of the extraction of oils through the solvent extraction method. It is felt that the oil supply in the country from indigenous sources can be increased by at least 15 per cent through this means. Better extraction will not only augment the oil supply in the country but also help in boosting exports of de-oiled cake which is considered to be in big demand internationally.

The difficult supply position on the edible oils front, it may be stressed, has been causing a good deal of anxiety to the government. The rise in the prices of oils has been one of the significant contributory factors to the increase in the wholesale prices index in the recent past.

Adequate imports are understood to have been ensured to meet the requirements till the new groundnut crop comes in October.

* *

The minister for Finance, Mr H.M. Patel, informed the Rajya Sabha last week that the government had no intention to change the reduced rates of interest on bank deposits introduced by the Reserve Bank of India last month. He assured the House that the Reserve Bank had taken this step on its own as the apex bank in the country with a view to encouraging long-term investments. The Finance ministry had nothing to do with this decision.

The Reserve Bank, Mr Patel pointed out, was an autonomous body responsible for the monetary and credit policy of the country. The present government did not have any intention to interfere in its working as had been done by the previous government.

Mr Patel further pointed out that there had been no reduction in the number of savings accounts in the nationalised banks consequent upon the introduction of new rates of interest. He also denied that the Reserve Bank has taken the step with a view to helping the private sector. Banks had to cater for the requirements of both the public and the private sectors. There was, therefore, no question of according preference to either sector.

Earlier in an informal talk with pressmen a few days ago, Mr Patel had pointed out that the new government had depoliticalised banking. He did not think that there was any necessity of reconstituting the banking commission which had been wound up after its chairman had resigned before the last Lok Sabha election.

Mr Patel claimed that the rate of expansion in money supply with the public had slowed down in the recent weeks. The containment of the growth in money supply was one of the steps directed towards arresting the rise in prices.

Hindalco's travails

R. C. Ummat

The author on a recent visit to Hindalco has found that the pots in the plant are stilled because the UP State Electricity Board has switched off power supply needed to keep them going. Apart from the cutback in production of this versatile metal which costs the compay Rs 10 lakhs a day, the central government is losing Rs 5.5 lakhs a day by way of excise duty. The state government itself is losing between Rs 20 and 25 lakhs per month due to dwindled receipts from sales tax and share in income tax proceeds.

THE STAGNANT pots of Hindustan Aluminium's Renukoot plant have a tale to tell—a tale of woe of this major aluminium manufacturing company in the country. These pots are stilled because the power supply needed to keep them going has been switched off by the UP State Electricity Board.

Visiting the Hindalco plant last week, I had an opportunity of assessing the situation at first hand. The Renukoot project has a capacity to produce annually 105,000 tonnes of primary aluminium—approximately 40 per cent of the total commissioned capacity in the country. This is expected to be raised by another 5,000 tonnes in a couple of months, against the licensed capacity of 120,000 tonnes which in normal circumstances should materialise by next year. The installed capacity, however, is currently being worked to not more than 60 per cent; that too with significant ingenuity.

fabrication shops affected

Of the two alumina producing streams of the project—one of 400 tonnes a day capacity and the other of 150 tonnes capacity—only the former is in operation. The smaller unit is lying shut down. In the metal producing section, 206 out of the 618 available reduction pots have been shunted. This has reduced the metal producing capacity straightaway by 33.34 per cent. The reduction in the overall load on the other pots, however, has resulted in a further cut in output by about 6.66 per cent. The decline in the primary metal production has, in turn, affected adversely the fabrication shops. The daily loss of primary metal output is of the order of 122 tonnes. The plant is producing just about 169.6 tonnes of aluminium ingots per day, as against the normal expected output of 292 tonnes.

The current difficulties of Hindalco in regard to power as a matter of fact started early in April when the UPSEB curtailed supplies by about 35 per cent. The position got accentuated with the passage of time. The present deplorable situation arose towards the end of June when instead of augmenting the supplies to more than 85 MW a day, in terms of an assurance given by it in connection with the expansion of the plant, the UPSEB suddenly served a notice on the company that the supply was being reduced to a bare 10

POINT OF VIEW

MW with effect from June 29. The total availability of power to Hindalco, consequently, fell to just about 127 MW a day —117 MW from its captive power station at Renusagar and 10 MW from the UPSEB—whereas the requirements exceed 215 MW.

It is difficult to say what exactly prompted the UPSEB to take the above step. The reasons trotted out are hardly convincing. The curtailment of power in early April could be understood for not only the power requirements of the agricultural sector were of a high order then because of threshing operations, but also because the state had to suffer the consequences of the injudicious policy adopted by the then Congress government in the earlier couple of months of draining out the Rihand reservoir for maximising power generation at the Rihand hydel station on the eve of the Lok Sabha election. The policy appears to have been continued till the subsequent polls to the state legislature.

But what is not comprehensible is that even though the water level in the reservoir has gone up in the past four weeks by nearly 38 feet as a sequel to good rains in the catchment area of the reservoir and meteorological forecasts promise further good rainfall, why power generation has not been resumed at the normal level as yet. The Rihand power station currently is being worked to less than one-third capacity and that too only when peak load requirements of the state are to be catered for.

untenable argument

The UPSEB's claim of overall power shortage in the state at present is also untenable. The power demand for agricultural purposes is practically over with the completion of Kharif sowings. Some limited quantities are now needed for irrigation purposes in paddy growing areas where rainfall has been slightly deficient. As a result power flow in the system is comfortable. Evidence of this is available from the fact that system frequency during off-peak hours is 51.5/51.7 cycles as against the normal 50 cycles. A month ago, the frequency was as low as 48.5 cycles.

The curtailment of electricity to Hindalco works, of course, is not any new phenomenon. Power cuts have been imposed in the past ranging from 25 to 50 per cent in the lean seasons of hydel generation. In 1974 and 1975, the UPSEB even completely suspended supplies for some time. There is, however, an essential difference between the 1974 and 1975 suspensions of supplies and the present one. In 1974 and 1975 the tariff for supply of power for aluminium manufacture came to the fore as a result of all the state governments, in whose jurisdiction aluminium manufacturing units were located, clamouring for a revision of rates which at that time were very low around two paise per unit. The plea of the state governments had its genesis in the escalation in generation costs that had taken

the aluminium producers were signed following the international practice of supplying this essential input for the industry at economic rates.

The current situation, on the other hand, has not arisen because of any dispute over power rates, which in the case of all the producers were revised in 1975 when a new tariff structure for power supplies for aluminium manufacture was drawn up under the aegis of the central government and agreed to by the concerned interests. Under this revision, the power rate for Hindalco was pushed up from 1.997717 paise per unit to an average rate of 11 paise a unit if the state electricity board supplied the full requirements of the undertaking which were then of the order of 85 MW. Although this rate was significantly higher than the tariffs applicable to the other producers, the Hindalco management entered into the revised agreement with the UPSEB in good faith in the interest of ensuring power supplies from that source so that along with supplies available from its own captive unit, the smelter could be run to full capacity. To some extent the difference in the power tariffs to the various aluminium manufacturing units was taken care of in fixing separate retention prices for their outputs under a pool price programme.

SEB compensated

The state electricity boards were compensated for their supplies for aluminium manufacture in another way also. It was in the form of the provision of excise duty rebate to the order of Rs 3,150 per tonne on their purchases of metal for expanding their transmission networks. These sales were even otherwise to be made to the state electricity boards at production costs which did not provide for even depreciation allowance to the manufacturers of aluminium. Fifty per cent of the aluminium output in the country is earmarked for this purpose. The remaining 50 per cent production is sold by the manufacturers in the open market. Thus the depreciation charges as well as a fair return on capital is to be earned by the manufacturers from only 50 per cent of their output.

While the UPSEB, like all other state electricity boards, continues to derive this benefit, it has failed to fulfil in the recent past its commitment for the supply of 85 MW of power to Hindalco. The present supply of 10 MW is being treated by it as an emergency supply to be paid by Hindalco at as high a rate as 28/29 paise per unit. One fails to understand how this supply can be treated as emergency supply when neither the Hindalco management has asked for it nor the regular supply of 85 MW is being made available. Presumably, the UPSEB desires to maintain its revenue receipts at as high a level as possible while reducing the power supply.

assurance of power

With a view to enabling Hindalco to proceed with its expansion programme to 120,000 tonnes, the UPSEB is further stated to have assured the undertaking that it would make available an additional 30 MW power with effect from July 1 in phases as the expansion from 95,000 tonnes to 120,000 tonnes materialises. On this understanding, the company had expanded by the end of June its capacity to 105,000 tonnes and was proceeding ahead to raise it further to 110,000 tonnes by October. The suspension of supplies, therefore, has affected both the utilisation of the 95,000 tonnes capacity available in March last and the expansion programme.

The power supply to the Hindalco works has gone down not only from the UPSEB sources but also from its own captive power station and that too thanks to the UPSEB delaying permission for the annual overhaul of one of the units of Renusagar power plant which was due in early March. As a result of the delay in the grant of this permission, this generation unit has already developed leakages thrice resulting in forced shutdowns. The overall performance of this unit too has deteriorated significantly. The availability of power from Renusagar currently, thus, is four to five MW less than normal.

To provide for the annual overhaul of the Renusagar power station, the UPSEB has entered into a separate agreement with Hindalco under which it is obliged to make available electricity during the periods of the shutdowns of the Renusagar station. Hindalco is paying nearly Rs 63 lakhs per annum as standby charges for this supply which is to be of the order of 60 MW, the tariff for it working out to 28/29 paise per unit. Although the standby charges are being collected by the UPSEB at the rate of Rs 5.26 lakhs per month, the annual overhaul of one of the two units of Renusagar power station, as mentioned above, has been unduly delayed for lack of permission from the UPSEB.

Power being one of the essential inputs of aluminium industry, it hardly needs to be stressed that its supply has to be maintained scrupulously if not only the upsets in production are to be avoided but also damage to equipment is to be obviated. The shunted reduction pots, according to Hindalco management, can be recommissioned only at a heavy cost—approximately Rs one lakh per pot—and that too over a period of time. The fall in production due to power cut is said to be causing to the company a loss of about Rs 10 lakhs per day. The central government itself is losing excise duty at the rate of Rs 5.5 lakhs a day. The loss to the state government is stated to be of the order of Rs 20/25 lakhs per month due to dwindled receipts from sales tax and the share in the income-tax proceeds.

production affected

The cutback in production is bound to affect the production costs of Hindalco very adversely. It remains to be seen whether this will be counterbalanced by an increase in the retention price allowed to it or not. It, of course, goes to the credit of the management that it has endeavoured to avoid retrenchment and lay-off of workers to the extent possible and till now only purely temporary hands have been retrenched and only a small number of permanent workers laid-off. This has been done by keeping alive all the four potlines and spreading the shunting of pots over all the potlines instead of shunting out a couple of potlines altogether. This situation may not last long if the power cut continues. The management is equally responsible to its nearly 22,000 shareholders and their interest can be safeguarded only by containing the production costs through laying off a larger number of workers.

It goes without saying that the distress

caused by the non-supply of power to Renukoot has also very adversely affected the aluminium consuming units, particularly in the small-scale sector. If note is taken of the retrenchment and lay-offs of workers caused in these units, the total number of workers affected may go up to several thousands.

Aluminium manufacture undoubtedly falls in the priority sector; the upsets in its production have a wide ranging effect. The recent happenings at the Hindalco works apparently run counter to the Janata government's professions in respect of creation of additional avenues of employment. It is high time that central government effectively intervened in the matter and prevailed upon the state government to resume power supply to the Renukoot smelter.

Incidentally, the April and May cuts in the power supply to Hindalco, the recent labour problem in the works of the Indian Aluminium Company and the undue delay in the commissioning of the second potline of 25,000 tonnes primary metal capacity at Bharat Aluminium have compelled the union government to reduce this year's target of producing aluminium. It was originally envisaged to be set at 2'0,000 tonnes ingots. The currently finalised target is just 223,000 tonnes. To this output, Hindalco is to yield 90,000 tonnes, Indian Aluminium 75,000 tonnes, Bharat Aluminium 40,000 tonnes and Madras Aluminium 18,000 tonnes. The original target would have meant an increase in production over the past year by 41,313 tonnes (approximately 20 per cent). As things stand now even the scaled down target of producing 2,23,000 tonnes aluminium ingots is likely to prove elusive. This is bound to result in not only stoppage of exports of the metal which we have been able to build up in the recent years but may also necessitate imports at a heavy cost. The building up of exports again obviously may not be an easy proposition.

The woes of Hindalco apart, the central government should do well in having a second look at the power supply position to the aluminium industry. The industry is in a peculiar position of being subject to rigorous controls in regard to the sales and the pricing policy of its output by the centre, while for one of its two most essential inputs it has to depend on the whims of the state governments. Is it not possible for the centre to ensure adequate power supplies to it by earmarking requisite allocations from state generation till the super thermal stations come up under its own aegis? The state governments are always [illegible] traneous pressures for curtailing power supplies to big consumers, no matter what crucial role such industrial consumers might be playing in the economy.

On its part, Hindalco has plans to augment its own generation capacity to meet the future requirements on its own to an overwhelming extent. But even then it would be requiring some power from the state electricity grid. The operations of such enterprises of national importance ought to be safeguarded against extraneous pressures.

That there is more to the recent suspension of power supplies to Hindalco works than meets the eye is apparent from the fact that the statement in parliament early last month of the union minister for Steel and Mines, Mr Biju Patnaik, that the state governments should expeditiously restore full supplies to the aluminium manufacturing units has failed to evoke response in Uttar Pradesh. The need for the centre taking over the responsibility to ensure power supplies for aluminium manufacture assumes heightened importance in view of the ambitious programme Mr Patnaik has in mind for the expansion of this industry in the context of the likely spurt in the global demand for this versatile metal in the coming years.

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Transport planning for public sector

Dr S. K. Ray

While according to revised priorities there will be increased investment in agriculture and cottage industries, the growth of heavy industries both in the public and the private sectors is also going to be accelerated in the coming years. The main responsibility for catering for the transportation needs of these industries will continue to be borne by the railways. The author gives suggestions for laying out of rail-yards so that there is minimum idle lie-over of wagons and transportation charges are kept to the minimum.

IN PILOTING the economic progress of the Indian sub-continent, we do really have Knut Hamsun's *virgin soil* in all sectors of economic activity. We need to modernise our agriculture and consolidate the small and medium scale industries. At the same time, an expanding infrastructure of capital-intensive industries is required to be built.

In the Indian situation, therefore, the fundamental tenets of industrial programming in the public sector have already been determined. So far as the economic concepts are concerned, there is no more a battle of priorities, as it used to be in the first few years of organised state planning.

There is substantial leeway in all the three directions required to be made over a few successive Plan periods. In the next few years there may be a renewed emphasis on the rural and agronomic sectors, where, it is believed, development has lagged behind in the last few Plan periods.

basic strategy

The fact of this leeway, to be made and the ways and means for tiding over the same, should be our basic strategy behind organised economic planning in the next two decades. The objective of our national planning in this respect should be comparable to the economic development programme of new Japan in the 'thirties.

It is in this context that we must consider the re-weighing of balances between the different sectors. Starting off from a period of basic development and economic rehabilitation, we more or less concentrated on the development of heavy industries in the second Plan period, the emphasis finally having veered round to agricultural investments and agronomic enterprises again today.

This change in policy has, however, to cover the gap in matching development in the countryside. The swing towards industrialisation is unmistakable and huge industrial plants are certainly going to further dot up our geography. We have a population prolific in its continual growth. That being so, industrialisation must come in big and sustained doses, not only to absorb surplus labour from agriculture, but also to serve other ends.

three reasons

Three good reasons do support this conclusion. First, industry will sustain agriculture by using agricultural raw materials or producing machinery and implements for agriculture. Second, industrial products will earn us foreign exchange and save us our precious agricultural raw materials now being largely exported. Third, a capital-intensive economy only can raise the level of our national income, after initial stages of gestation, to a level of responsibility. There is just no other way to accelerate the growth of GNP.

While investment in agriculture and cottage and medium industries will be increased, during the remaining years of the fifth Plan and during the sixth Plan, industrialisation will not at the same time slacken. There will be continued growth in heavy industries, both in public and private sectors, even though the number of industrial plants to be financed and administered by the central and state governments will be large.

While, in order to keep these plants working to capacity, wagons and trucks and sometimes barges and ships will be increasingly pressed into service, the main burden of responsibility will have to be borne by the national railroad. Similarly, to a very considerable extent, the output in the shape of finished, semi-finished and ancillary products will have to move on rails.

principal considerations

The conclusion is based on two principal considerations. First, the plants that have already come into being have made drafts on the railways, and railways had to play the role of a national system of transportation. This indicates that in the future as well we have to rely upon railways to meet bulk of the transportation demand in relation to these plants.

Second, the transport demands for these plants and factories both for carrying raw materials and finished products, will be so considerable, that it will be within the capacity of only a national undertaking of the magnitude of the railways to meet the same.

This is a new challenge for the railways. First, everyday, complete train-loads of raw materials such as coal, iron ore, manganese, limestone, gypsum, pig-iron and alloys, cotton, oilseeds and other agricultural raw materials, or at least three or four of these, will arrive at regular and irregular intervals. The number of such trains may be five, ten, twenty or even more, depending on the dimension of the individual plant.

They will have to be tackled, for obvious reasons, in a rail-yard rather adjacent to the plant. The work can never be billeted from a distant marshalling yard. Then, again, these train-loads will have to be placed alongside the differen

consumption-pockets inside the plant area. This will have to be done in a way that the rolling stock and locomotives have minimum possible idle time.

In the plant area itself, there are many problems. The sidings or spurs must be laid out in such a way that the intake and offtake of wagons never conflict. In other words, there should be *escapeways*, so that wagons do not attract in the process substantial demurrage charges. Secondly, it should be possible for wagons to be moved, whenever necessary, from one area to another without idle lie-over. In other words, there should be fluidity in the movement of rolling stock.

The transport bills paid by these plants are inflated by such infructuous expenses and demurrage accruing from idle time due to delayed or unscientific methods of unloading or due to wagons getting stuck for want of escapeways in a badly laid plant-yard that does not make for fluidity in movement.

In the case of certain plants in eastern India, recently visited by the correspondent, the monthly demurrage bill being paid runs into several lakhs of rupees. Such infructuous expenses enter in project overheads and turnover-costs, both as direct charges, and also as indirect charges, due to delay and dislocation.

essential requirements

The fluidity of transportation in and out of these plants, therefore, depends on two things; competent planning of the rail-complex in relation to the plant on the one hand, and efficient operation of the complex with the required know-how, on the other.

Planning a rail complex for a major industrial plant is no easy job. The input and output of traffic for the plant in terms of wagons will be as much as or even higher than what is normally dealt with in a marshalling yard of a moderate size. It will, therefore, not be possible for existing rail-yard facilities available on the section to cope with the additional traffic. New or supplemental facilities will have to be developed.

This can be done in two ways. First, a new rail-yard can be laid out, in the area, adjacent to the plant, and this yard can absorb the new intake and offtake of wagons and attend to reception, despatch, marshelling and formation of freight trains. If, in view of such a new yard an existing rail-yard in the section becomes redundant, the latter should be scrapped, for marshalling yards at short distance from one another do not in the long run make for efficiency, but retard speed and fluidity over the section as a whole. This was the basic concept practised in Britain under the *Beeching Programme*.

Alternatively, if the purpose can be served by remodelling an existing yard on a suitable scale, this should be attempted. But in such remodelling, one thing needs to be kept in mind. A patch-work yard, which looks like a country-quilt and comes by mere additions of lines and spurs, may create more difficulties than facilities.

creating bottlenecks

Such a patch-work yard may have more lines in reception and departure yards, the sorting grid and the marshalling baloons; but it may retard the fluidity of movement by creating bottlenecks and making inter-yard transfers difficult, involved and time-consuming.

The efforts in remodelling may, therefore, not only be disproportionate to the results achieved; but may bring, in its wake, a host of new operating problems.

These aspects of planning have to be carefully considered while developing transportation capacity for a plant. In this, the possibilities of future expansion of the plant also should be kept in view. The assessment of transportation-flows in and out of the plant should be done realistically and also on a *perspective* basis.

What should preferably be done would be to develop a self-sufficient plant-yard *inside* the project area itself. Ergonomically, this should be the best arrangement, as this cannot only make full provision for *locational advantages* for the different sections of the plant, but would also expedite the rail-movement on the one hand, and make possible economies in the usage of locomotives and rolling stock, on the other, particularly when it is possible to arrange rail-movements in block rakes.

The yards should have sufficient number of loading and unloading bays and a holding-cum-formation yard. These should both originate and terminate full-load freight trains.

operational skill

Planning of the ergonomics of that part of the rail-complex which will lie *inside* the plant area deserves no less deliberation and skill in operational geography. The experience so far gained points to the necessity of more care in this respect than has hitherto been noticeable.

The accrual of huge demurrage charges has been, in most cases, due to haphazardly laid sidings and spurs inside a plant.

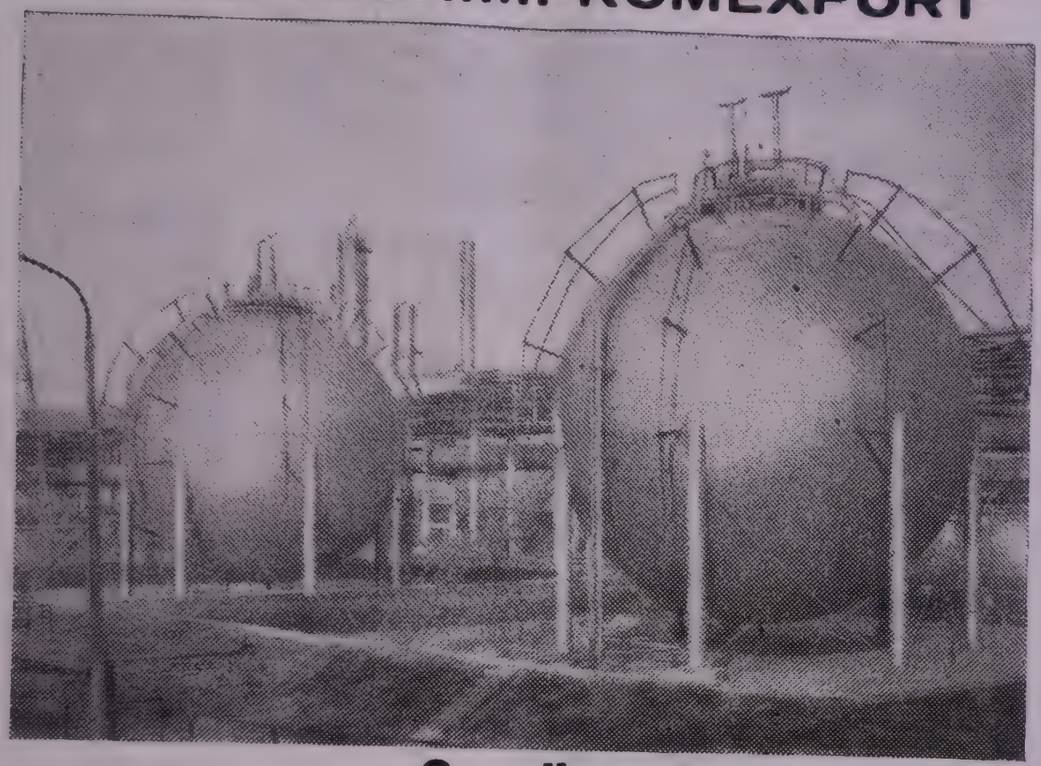
Thus in many projects or undertakings in eastern India that the correspondent visited, while considerable thought and planning have gone into the siting of workshops and factories, the same is not in evidence in the programming of rail-yard facilities, while both are governed by the economics of location, or in other words the principles of ergonomics.

In many cases, new plants have been located cutting into several rail escapeways, but suitable alternative bypass-lines have not been developed. The entire rail complex inside the plant area is a jumble of sidings, run-round and spurs, many of which cannot be used now, and most of which are rather like dead-ends. Fluidity of traffic has been given up almost all over.

As a result, wagons suffer haphazard and long hours of detention. The monthly demurrage bill on an average does not go below fifteen to twentyfive lakhs of rupees. Then the indignity of long *dharna* for partial waival starts before railway executives at different levels, every month. Even when the project, after a continuous chasing by its officers, manages to get some waival, the loss is actually *shared*, for the loss in the ultimate analysis is in the usage of rolling stock, that has already taken place, and which cannot be retrieved.

There is yet another aspect. The cost of transportation goes up and enters the

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pricing of the outturn due to increasing charges paid on idle time on wagons, infructuous and criss-cross movements of loads, wagons remaining 'under load' for long hours due to slow and ineffective removal and clogging of unloading space, empty wagons laying idle on the loading spurs due to lack of coordination between production lines and loading points and, above all, due to absence of a system of scientific controlling of rolling stock inside the project.

Operating a railway yard is a specialised and technical process, requiring the requisite training, experience and know-how. In many plants, administering the rail-complex has been left to the care of officials who have been drawn from state transport departments, city transport undertakings or similar other concerns.

rule of thumb

In these cases, therefore, operating the rail-complex has continued to remain a rule of thumb. This is undesirable. The railways in India have the necessary expertise to move an unprecedented and increasing volume of transportation with continually sustained momentum.

It is a different matter that widespread econo-political labour unrests and mounting increases in wage and fuel bills affected the historical profitability of the railways for a few years; but that position again has been overcome lately and the Indian Railways have again emerged into the era of surplus budgeting.

Operating skill on the railways has been favourably commented upon in many responsible quarters, including teams of foreign experts from the World Bank. The latest testimonial has been underwritten by a Committee on Ports, comprising specialists from the UK, the USA and the continent, and appointed by the ministry of Transport and Shipping. The committee, impressed by the competence and performance of the Indian Railways, suggested that all port rail-complexes in the country should be handed over to the railways for efficient and profitable management.

There is, therefore, every justification to draft the necessary planning and operating skill and expertise from the railways and make these rail-complexes work with competence and stability.

There is today an inadequate appreciation of the craft of railway planning in general, and yard planning in particular. Planning a yard complex for a plant would require skilful tabulation of a substantial volume of data, both facts and figures, by the specialists. While the transport requirements of the plant, both for *today* and *tomorrow*, should be accurately assessed, the plans for expansion of the existing, ancillary and new lines of production should also be taken into view.

At present railways' collaboration is sometimes obtained in laying a new yard or in remodelling an existing yard to serve the plant from outside. This is not good enough.

The numerous sidings that flow into the plant area, and more than that the entire rail-complex inside the plant area, should be planned and laid only with the assistance of the railways' know-how.

This being the job for specialists, there should be no difficulty in obtaining the requisite help in men and skill from the railways, which are also undertakings in the public sector.

This is consistent with the latest trends in thinking in responsible quarters. The government has been considering the formation of a management pool to plan, operate and administer the public sector units at different levels. It is also reported that a cabinet sub-committee may soon consider various suggestions on how people should be selected for the management pool.

In this context, the immediate need for drafting from the Indian Railways the skill and know-how required for planning and operating all existing and programmed rail-complexes in the public sector plants should receive adequate importance.

Indian Railways are a colossus, and it should be possible for them to shoulder this extra burden of planning and operating some two hundred and odd yard complexes. It will be a negative approach for the Indian Railways to deny even partially this collaboration, essential for the systematised industrialisation of the country.

After all, RITES under the Indian Railways is arranging such collaboration and extension of expertise to Railways *abroad*. Personnel are being sent on deputation and accreditation by the Indian Railways directly to foreign countries. There is therefore no reason why similar facilities should not be obtained by the industries in the public sector in India, and why Indian Railways should hesitate to extend the same.

Railways and these plants being both in the state sector, such flow of assistance is in the overall interest of our industrial development. As a matter of fact, in the context of the need for building up a sound industrial superstructure, there should be no objection to make the expertise and know-how available on the railways to private and joint sectors as well.

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Manager

Power shortage : its causes and remedies

V. Balamohandas & G. Subrahmanyam

The authors who are members of the Faculty of Commerce, Andhra University, Waltair, analyse the ailments of the country's power projects and suggest some remedial measures to combat the perennial shortage.

THIS SUMMER again the power situation in the country is causing concern. Serious shortages have been experienced during the last few months in different regions. Power cuts and heavy load sheddings are resorted to in many states particularly in Punjab, Haryana, Uttar Pradesh, Karnataka, Jammu & Kashmir, Madhya Pradesh, West Bengal, Maharashtra and Andhra Pradesh. Though the present shortage is attributed to the winter rain having played truant, it must be admitted that there has also been a slackening of effort at building power generating capacity for quite some time. According to the Central Electricity Authority the daily deficit of power was 13.16 million kwh. in December, 1976. The availability in the subsequent months had not improved significantly. In one of the state assemblies when the minister for Power was informing the members of the power situation in the state being satisfactory, there was a power failure in the assembly the very next moment to the discomfiture of the minister.

big gap

The power crisis in the country has not developed all of a sudden. It is a known fact that there is a big gap between capacity and demand and that no effective measures were being taken to bridge the gap. It is true that during the planning era huge investments were made for the development of power but we have been seriously lagging in implementation of the programmes. It may not be out of place to quote a remark contained in the Science & Technology Plan: "We can project, we can programme, we can define, we can budget; but if we cannot implement with speed and efficiency, we would have failed the new generation and forfeited our mandate to plan." It is in this context the power development in the country is reviewed in the following pages and some remedial measures to combat power shortages are suggested.

crucial role

Being the most versatile and convenient form of energy, power plays a crucial role in the economic development of a country. No sector of the national economy can be developed without the use of power. Economists judge industrial progress and the standard of living of the people on the basis of the amount of power consumed in a country. The per capita consumption of electricity in selected countries in the year 1974 is presented in Table I. It is evident from the table that the per capita consumption of electricity in India had been only 97 kwh which shows that India has to go a long way if it wants to catch up with advanced countries where per capita power consumption has ranged between 2,000 to 9,500 kwh.

The history of power development in India dates back to the year 1897 when a 200 kw hydro station was first commissioned at Darjeeling. The first steam station was set up in Calcutta in 1899 with a total installed capacity of 1,000 kw. Thereafter a series of hydro and steam power stations were commissioned until the year 1940, when the total installed capacity was 1208 MW. But the period from 1941 to 1950 was full of stresses and strains as a result of the second world war and the partition of the country that followed independence in 1947. The total installed capacity in the country as at the end of March 1951 was 2.3 million kw.

Power development in a systematic and planned manner began in 1951 with the launching of the first five-year Plan. At the beginning of the first Plan the total investment in the power industry had been of the order of Rs 150 crores. The power generated was about 7,500 million kwh. Table II presents the power development in the planning peri d. As is evident from the data presented in this table the present installed generating capacity in the country inclusive of auto-producers' plants is 22 million kw. During 1974-75 the public electricity supply industry in India generated 70.2 billion kwh, with an installed capacity of 18.4 million kw. The investment in the industry is of the order of Rs 6,220 crores. To serve the consumers 0.73 million circuit km of transmission and distribution lines were operated. Up to the end of 1976 the total number of towns and villages getting electricity stood at 1,93,560. This constitutes 33.6 per cent of the total number of villages in the country and covers about 55.8 per cent of the rural population. By the end of the fourth Plan period, about 34 lakh pumpsets and tubewells were energised. The per capita consumption of power which was 26 kwh during the first Plan rose to 97 kwh by the end of the fourt Plan.

During the fifth Plan period an outlay of Rs 7,294 crores has been provided for

TABLE I

Per Capita Consumption of Electricity in Some Selected Countries

Country	Per capita consumption of electricity kwh (1974)
India	97
France	3,420
Federal Republic of Germany	4,770
Italy	2,360
Netherlands	3,820
Sweden	9,360
USSR	3,830
UK	4,540
USA	9,370
Japan	3,990

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Applications have been made to Stock Exchanges at Calcutta and Bombay for permission to deal in and for an official quotation of the existing Equity Shares of the Company as also the Equity Shares now being issued under the Prospectus.

HISTORY AND BUSINESS OF THE COMPANY:

The Company was incorporated on 10th October 1975 in the State of West Bengal as a Public Limited Company with the main objects (interalia) of acquiring by way of amalgamation or otherwise under an agreement the whole or part of the assets, liabilities and undertaking of the Jokai (Asssam) Tea Company Ltd. (Jokai Assam), a company incorporated in the United Kingdom, and growing, cultivating, manufacturing, curing, blending, processing, buying, selling, and dealing in tea, coffee, rubber, tea seed and clones, citronella, palmarosa and other produce and carrying on the business of planters in all its branches.

Jokai Assam, a wholly owned subsidiary of Jokai Tea Holdings Ltd. (Jokai Holdings) a company also incorporated in the United Kingdom, has for nearly a century been well known as one of the most prosperous and well managed tea companies in India. It was engaged in the business of cultivation and manufacture of tea in India and the sale of tea in India and abroad. Its assets in India comprised ten tea estates namely Bokel, Muttuck, Singlijan, Dikom, Hattialli, Panitola, Nokhroy, Nalani, Daisajan and Koilamari all situated in the State of Assam.

The Company produces teas to cater for specific demand in both internal and export markets.

In keeping with the Government of India's policy for Indianisation of foreign companies, Jokai Assam decided to transfer by way of amalgamation the whole of its undertaking including all the property and liabilities in India (which is the only undertaking of Jokai Assam) to the Company, and entered into an agreement dated 6th February, 1976 with the Company setting out the terms of transfer to and vesting in the Company of its Undertaking as on the close of business on 31st March, 1976.

The net worth of the Indian Undertaking of Jokai Assam as at 31.3.1974 was valued at Rs. 285.91 lacs. In terms of the Scheme of Amalgamation sanctioned by the High Court at Calcutta vide its Order dated 3rd August, 1976 and as approved by the Controller of Capital Issues and the Reserve Bank of India the Company has issued and alloted to Jokai Holdings 18,50,000 Equity Shares of Rs. 10 each credited as fully paid up. The balance amount of Rs. 100.91 lacs has been retained as unsecured loan to be remitted to Jokai Holdings in five equal annual instalments without interest commencing from 31.3.1977 after receiving approval from the Reserve Bank of India. By virtue of the said order dated 3.8.1976 of the High Court at Calcutta sanctioning the Scheme of Amalgamation, the Undertaking of Jokai Assam was tranferred to and vested in the Company.

FUTURE PROSPECTS:

The Undertaking acquired by the Company has shown steady growth and contributed significantly to the country's economy both internally and in exports. So far as the current and anticipated trends are concerned there is every indication that quality teas such as those produced by the Company will be in good demand from both the internal and export markets and this is borne out by the higher prices being realised by the industry in general and the Company in particular since 1974. Consumption of tea in India is growing rapidly every year and thus it is possible that increased crops may not keep pace with the growing internal demand for this beverage. The Directors therefore expect that barring unforeseen circumstances the Company should be able to earn sufficient profit to enable the payment of reasonable dividends to its shareholders.

OBJECTS OF THE ISSUE:

Consequent to the allotment of 18,50,000 shares to Jokai Holdings as mentioned above, the Company has become a foreign-controlled company for the purpose of Section 29 (1) (a) of the Foreign Exchange Regulation Act, 1973 as the non-resident shareholding therein is more than 40% of its capital. The present issue of 6,49,993 Equity Shares of Rs. 10 each is being made so as to reduce the non-resident interest to 74% in the capital of the Company.

SHARE CAPITAL:

	Rs.	Rs.
Authorised		
25,00,000 Equity Shares of Rs. 10 each		2,50,00,000
Issued, subscribed and paid-up		
7 Equity Shares of Rs. 10 each subscribed for cash at par by the Subscribers to the Memorandum of Association		70
18,50,000 Equity Shares of Rs. 10 each alloted at par to Jokai Tea Holdings Ltd. credited as fully paid up otherwise than in cash, in terms of the Scheme of Amalgamation.	1,85,00,000	1,85,00,070
Present Issue		
6,49,993 Equity Shares of Rs. 10 each for cash at par		64,99,930
Out of the present issue 1,25,000 EquityShares of Rs. 10 each have been reserved for subscription by the Directors and employees of the Company provided that any shares not subscribed by them shall be available for meeting applications from the public		12,50,000
5,24,993 Equity Shares of Rs. 10 each offered to the public for subscription (to which will be added the unsubscribed portion of 1,25,000 Equity Shares reserved for subscription by the Directors and employees of the Company) in terms of the prospectus		52,49,930
		64,99,930

TERMS OF PAYM

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On allotment... ... ...

Application may be m
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Applications by the D
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will not, however, de
further shares out of
the Public.

BOARD OF DIRE

MR. AKBAR HYDARI
'Neptune Court'
Napean Sea Road, B
(Son of Sir Akbar H
(Deceased)

MR. VIJAY KUMAR
Managing Director
39, Ballygunge Circ
(Son of the late Mr.

MR. SUDHI RANJAN
Whole-time Director
24/3, Baisnabghata
(Son of Mr. Nidan B

MR. DIPAK ROY
3, Ballygunge Park
(Son of the late Dr.

MR. HAUGHTON KE
Pond Wood, Upper
(Son of the late Co
FitzGerald, O.B.E.)

MR. JAMES LAMP
'Subansiri, 4, Maple
Herts', U.K.
(Son of the late Mr

SECRETARY:
MR. SUDHI RANJ
24/3, Baisnabghata

SOLICITORS & ADV
Orr, Dignam & Co.
29, Netaji Subhas

AUDITORS:
Price Waterhouse
84, Gillander Hous

BANKERS TO

Grindlays Bank Li
19, Netaji Subhas

State Bank of Ind
La Martiniere Bran
Calcutta 700 017.

Bank of Baroda
4, India Exchange

BANKERS TO

Grindlays Bank Li
19, Netaji Subhas

State Bank of Ind
1, Strand Road, C

Central Bank of
3, Netaji Subhas

Bank of India
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Bank of Baroda
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REGISTRARS

Robson, Black &
(Management Co
1B, Russel Stree

PRINCIPAL B

Bhupendra Cham
Bhupen Chamber
Dalal Street, For

Place Siddons &
6, Lyons Range,

Stewart & Co.
14, India Exchan

BROKERS TO THE ISSUE:

Bombay:

Bhupendra Champaklal Devidas,
Bhupen Chambers
Dalal Street, Fort, Bombay 400 023.

Valji Bhimji & Co.
24, Stock Exchange Central Building,
Dalal Street, Fort, Bombay 400 023.

D. S. Purbhoodas & Co.
Stock Exchange Building, Apollo Street
Bombay 400 023.

Lewis & Jones
Bank of Baroda Building, Apollo Street
Bombay 400 023.

Upendra Dalal & Co.
Room No. 100 Stock Exchange New Building
Apollo Street, Bombay 400 023.

Calcutta:

Place Siddons & Gough (Private) Ltd.
6, Lyons Range, Calcutta 700 001.

Stewart & Co.
14, India Exchange Place, Calcutta 700 001.

N. L. Roy & Co.
7, Lyons Range, Calcutta 700 001.

Brijnath Khandelwal & Co.
13, India Exchange Place, Calcutta 700 001

G. M. Pyne
14, India Exchange Place, Calcutta 700 001.

Delhi:

Raja Ram Bhasin & Co.
Jeewan Mansion, 8/4 Desh Bhandhu
Gupta Road, New Delhi 110 005.

J. C. Mehta & Co.
44, Delhi Stock Exchange Building
Asaf Ali Road, New Delhi 110 002.

Vinod Kumar & Co.
A-6, Connaught Place, New Delhi 110 001.

Madras:

Dalal & Co.
National Insurance Building
392, N.S.C. Bose Road, Madras 600 001.

Paterson & Co.
Vanguard House (3rd Floor)
11/12 Second Line Beach, Madras 600 001.

Chitra & Co.
322/323, Linghi Chetty Street, Madras 600 001.

Bangalore:

M. Nanjappaiah Jahgirdar
205, Cavelry Road, Bangalore 560 042.

Vijai & Co.
9, Eleventh Main Road
Malleswaram, Bangalore 560 003.

Jahgirdar & Co.
21, Second Main Road, Seshadripuram
Bangalore 560 020.

Ahmedabad:

Champaklal Bhailal Chokshi
Manek Chowk, Near Share Bazar,
Ahmedabad 380 001.

Nareshchandra Lalbhai Parikh
Manek Chowk, Ahmedabad 380 001.

Laxminarayan N. Gupta & Co.
Anandji Kalyanji Bldg. Opp. Dhana Suthar's Pole,
Relief Road, Ahmedabad 380 001.

Hyderabad:

P.B. Afzulpurkar
4.5.195, Sultan Bazar, Hyderabad 500 001

Indore:

Pushkarlal Ghudawala
44, Bada Sarafa, Indore 452 002.

ISSUE OPENS ON 8-8-1977

UNDERWRITERS:

Name & Address of Underwriter	Nominal Value of Equity Shares Underwritten
A. INSURANCE COMPANIES & BANKS	Rs.
General Insurance Corporation of India, Industrial Assurance Building, Churchgate, Bombay 400 020.	7,50,000
The New India Assurance Co. Ltd., New India Assurance Building, 87, Mahatma Gandhi Road, Bombay 400 023.	7,50,000
National Insurance Co. Ltd., 3, Middleton Street, Calcutta 700 071.	7,50,000
The Oriental Fire & General Insurance Co. Ltd., A-25/27, Asaf Ali Road, New Delhi 110 001.	2,50,000
The United India Fire & General Insurance Co. Ltd., 24, Whites Road, P.O. Box No. 676, Madras 600 014.	5,00,000
Central Bank of India, Chander Mukhi, Nariman Point, Bombay 400 021.	10,00,000
Grindlays Bank Ltd., 19 Netaji Subhash Road, Calcutta 700 001.	5,00,000
Bank of India, Express Towers, Nariman Point, Bombay 400 021.	5,00,000
Bank of Baroda, Baroda House Cawasjee Patel Street, Fort, Bombay 400 001.	5,00,000
B. OTHERS*	
Bhupendra Champaklal Devidas	2,25,000
Valji Bhimji & Company	50,000
D. S. Purbhoodas & Co.	50,000
M. Nanjappaiah Jahgirdar	2,00,000
Vijai & Co.	1,00,000
Raja Ram Bhasin & Co.	50,000
Place, Siddons & Gough (Private) Ltd.	1,00,000
Stewart & Co.	2,24,930
Total:	Rs. 64,99,930

*Addresses of these underwriters are given under the heading 'Brokers to the issue'

In the opinion of the Directors, the resources of the Underwriters are sufficient to discharge their respective underwriting obligations in full.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON MONDAY, THE 8TH DAY OF AUGUST, 1977 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON FRIDAY, THE 19TH DAY OF AUGUST, 1977, OR EARLIER AT THE DISCRETION OF THE BOARD OF DIRECTORS OF THE COMPANY, BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON WEDNESDAY, THE 10TH DAY OF AUGUST, 1977.

Application forms along with copies of the prospectus can be obtained from the Underwriters, Managers to the Issue, Brokers and Bankers to the Issue as also from the Registered Office of the Company mentioned hereinabove.

A Director or an employee of the Company applying for shares out of the shares reserved for them, should apply on a separate application form specially marked for this purpose. Application forms for these shares are available from the Registered Office of the Company, its tea estates and other establishments in Assam.

ISSUE MANAGED BY

Grindlays Bank Limited
MERCHANT BANKING DIVISION
270, Dr. Dadabhoy Naoroji Road,
Bombay 400 001.

FDS-JI-777

the power sector. A target of 12.5 million kw installed capacity is aimed at. Under the Rural Electrification Programme, 81,000 villages are to be electrified. It is expected that an additional 13 lakh pumpsets/tubewells will be energised during the fifth Plan. An analysis of the power development in the planning era reveals that it has been significant, but considering the country's size and population (area of about 3.3 million sq km and population over 600 million) much remains to be done.

In almost all the states power shortages are reported. However, the shortage is more acute in the northern and eastern regions. The production losses due to power shortages have been mounting. For instance the perennially handicapped textile industry in West Bengal now faces unscheduled power cuts and load shedding. Expressing anxiety over this, Mr G.R. Ayer, senior vice-president of the Bengal Millowners' Association, said recently that unscheduled power cuts and load sheddings have once again assumed alarming proportions in the textile industry in West Bengal badly affecting the production of cloth and yarn. He also stated that apart from production loss, the irregularity in power supply has increased the percentage of damage in weaving and chemical processing. The power plant installations in the mills are also being damaged. The cost of production has gone up as the mills have to pay full wages to workers even though machines remain idle during the period of power failure. Mr Ayer said that the very purpose of exempting the cotton textile mills from the provisions of the Energy Control Order 1974 (mills were allowed to work three shifts in all seven days of week) is being defeated by the frequent interruption in power supply. It is felt that if the present situation continues for some time more, many units will fall sick and, in addition, the efforts of the government and the industry to reopen the closed units will be frustrated.

In Andhra Pradesh, a 30 per cent power cut has been imposed. In Tamil Nadu it varied between 25 to 30 per cent. Similar restrictions though not of the same nature and magnitude are imposed in other states where the power deficit is being felt. Not only industrial activity but also agricultural development is being held up owing to power shortage. The rural electrification programmes had to be given up for the time being. A number of energised pumps cannot be used for irrigation and multi-cropping purposes because of frequent power cuts.

TABLE II

Power Development in the Planning Period

	Ist Plan	2nd Plan	3rd Plan	Three annual Plans	4th Plan	5th Plan (proposed)
Installed capacity added (Million kw)	1.1	2.3	4.5	4.1	4.1	12.5
Investment (Rs in crores)	153	464	1,292	1,222	2,983	7,294
Generation of power added (million kwh)	3,858	8,751	16,702	13,817	21,154	—
Transmission and distribution lines added (circuit km)	37,150	91,466	1,33,159	1,25,874	2,73,657	—
Number of towns & villages electrified	4,750	15,152	23,806	28,613	82,566	81,000
Pumpsets and tubewells energised	35,000	1,43,000	—	5,80,000	13,40,000	13,00,000
Per capita power consumption (kwh)	26	38	61	78	97	—

causes for shortage

To alleviate the problems of power shortage, it is desirable to find out the causes responsible for the present shortage and take suitable measures to remedy the situation. The reasons for the recurring power crises are not far to seek. Our Plans have been highly unrealistic—too much emphasis on how much to allocate or invest in generating stations and too little on objectives and performance. There is the confrontation between two strongly entrenched schools of thought—one for the indigenisation and local manufacture at any cost and the other for practically turn-key imports based on the latest technology and quick delivery. The confrontation means the slow-down of action in both the areas as a result of which the consumer suffers.

Inadequate storage position at some of the major hydro-electric reservoirs due to the failure of rains in catchment areas has been another reason for the power deficit. Adequate transmission lines and facilities within each state and between neighbouring states have not been provided so far. It is felt that there is no proper co-ordination among the different states in power development. It is true that efforts are being made to develop electric power in a co-ordinated manner with a view to achieving overall economy and to ensure reliable supply of power. To achieve the above two-fold objective, the country was divided into five regions to inter-connect the state power systems on regional bases and evolve regional power grids. The five regions are (i) Northern: Jammu & Kashmir, Punjab, Rajasthan, Uttar Pradesh, Haryana, Himachal Pradesh, Delhi and Chandigarh; (ii) Western: Gujarat, Maharashra, Madhya Pradesh,

Goa, Daman and Diu; (iii) Southern: Mysore, Kerala, Tamil Nadu, Andhra Pradesh and Pondicherry; (iv) Eastern: Bihar, West Bengal, Orissa, Andaman and Nicobar and (v) North Eastern: Assam, Nagaland, NEFA, Manipur and Tripura.

Five regional electricity boards have already been set up in all the regions with representatives from state electricity boards and the Central Electricity Authority to advise on planning of power systems in the various regions and their integrated operations and prepare a co-ordinated programme for the overhaul and maintenance of generating plants. But this authority operates on a parttime basis. Much has been talked abou tthe setting up of the "All-India power grid" but so far it has not materialised. In many circles it is felt that if proper regional integration had been achieved, the present power crisis could have been mitigated.

scientific approach

There is dire need for a scientific approach in power planning. The former union Power minister, Dr K.L. Rao, once admitted that power shortage was due to reckless calculations. Before launching the big-size power projects, they should first be undertaken on a pilot plant basis. Mr Y.T. Shah, former Power secretary in the union Energy ministry, while inaugurating a course on project implementation, monitoring and evaluation at Calcutta listed the reasons for the shortfalls in the achievements of the power target for the fourth Plan. First, no detailed field investigations were carried out at the time of project preparation in respect of many power projects. Second, construction schedules and cost estimates were not drawn in sufficient details. In the estimates, provision for many items was made either on a lump-sum or percentage basis. Third, there was no practice of having detailed project reports before investment decisions were taken. Power projects being capital intensive and subject to long gestation periods, delays in their execution resulted in cost over-run and created difficulties in resource allocation.

The above reasons call for an improvement of the project preparation, evaluation and monitoring procedures. It is heartening to learn that recently a cell had been set up in the Central Electricity Authority to discharge the functions of a central monitoring and control system. Several critics of power development strongly advocate that the programme of power development should be taken out of the five-year Plans and there should be a 10-year or 15-year perspective plan for the power sector.

It is suggested that state governments should encourage industrial units requiring process steam in large quantities to instal back-pressure turbines to generate power as a by-product. It may be mentioned here that the Punjab government had offered a grant of a 20 per cent subsidy and interest-free loans to industrialists who installed diesel generating sets to ease the pressure on power in the year 1972-73. Similar incentives all over the country would ease the power crisis to some extent.

It is distressing to note that no organised measures have been adopted for distributing shortages rationally and ad hoc load shedding is resorted to. No regular programmes are chalked out to assess the relative effects of this shedding on industrial and agricultural production, and see that power supplies to one sector are not cut off for a longer time than is absolutely necessary. Introduction of adequate rationing instead of load relieving on a day-to-day basis is essential under the present conditions.

It is felt that the maintenance of power stations and transmission lines is not up to the mark and this is adding to the power crisis. For ensuring proper maintenance, it is necessary to establish a force which should make periodic visits to the most imporant generating and transmitting stations and take all measures to improve maintenance on the spot. Steps should also be taken to minimise power loss in transmission. It is estimated that at present there is an annual loss of about 18 to 20 per cent in transmission which adds up to three to four million kw. The urgency of these steps can be appreciated by the fact that one per cent reduction in transmission loss would mean a saving of five crores of rupees a year.

The new government should realise that the power crisis is far too deep to be resolved by setting up ad hoc committees of experts working part-time in addition to their normal duties, by marginal adjustments or by adopting partial remedies. It is unfortunate that public opinion is not strong enough to forcefully bring to the notice of the government the adverse effects of the poor operation of our electricity systems. The new union Energy minister, Mr P. Ramachandran, it is hoped, will bring a new dynamism to his charge which makes the wheels of progress to more.

Eastern Economist 30 Years Ago

AUGUST 1, 1947

American economy in 1946 showed a record production, the transition from war to peace time production being accomplished at a break-neck speed, which many have characterised miraculous. American farms and factories produced about 50 per cent greater in terms of physical output than in 1939. Employment did better with 58 millions in job, America broke all previous records, the number employed being several millions more than in the war years. This post-war boom has continued during the first months of the current year. Presenting his report on the US economic situation at the mid-point of 1947, President Truman catalogued the "magnificent record" of achievement. American output of goods and services is now running at a rate of $225 billions. Total civilian employment has passed the sixty million jobs set as a target by Henry Wallace and regarded by many as a fantasy. The crucial question now being asked both in the United States and abroad, is whether this level of employment and production can be stabilised and maintained. In part it is the result of the continuing belief in the inevitable periodicity of booms and depressions. As an American magazine has put it, the question is asked, "If boom comes, can depression be far behind?" And there could be no doubt as to the existence of boom conditions in America today. But this is not the sole reason. There are maladjustments in the US economy and these cannot continue indefinitely without serious consequence to the economy as a whole.

World wheat prospects

E. B. Brook

In this article, E.B. Brook discusses the present easy grains supply position in the world thanks to the prospects of a second bumper crop of wheat in two years. He stresses that the Geneva Conference on a new wheat agreement early next year will be of great importance to all developing countries, as ample supplies and lower prices may persuade producers to reduce acreage at the future savings.

IT IS early yet in northern latitudes to speak of harvest. But the International Wheat Council has forecast another bumper world wheat crop this year and increasing wheat reserves. The winter wheat harvested area in the Soviet Union will probably be the largest on record and a record winter wheat crop appears possible. Since the total winter wheat area was a third greater than last year at 23.2 million hectares (about 58 million acres), the yield should enable sizeable re-stocking of reserves as well as fend off the need to import. The Soviet Union's summer sowing was unusually extensive and weather, so far, has been suitable. In Poland, also, the area planted to grains is up by five per cent from last year to 8.15 million hectares and reports from the Balkans and central Europe are similarly encouraging. It remains for dry, ripening weather in the ensuing 10 to 12 weeks to make ample promise result in equally generous harvests.

WINDOW ON THE WORLD

Good news from the grain world does not necessarily produce freedom from concern. Already fears have been expressed that present abundance might lead to another food shortage crisis in about two years time. The world economic system appears unable to cope efficiently with bounty as it does with scarcity. The problem appears to be how to escape the boom-slump cycle and stabilize prices within an upper and lower limit high enough to make it worthwhile for producers to maintain an adequate supply but low enough for all countries, even those with little cash or credit, to buy what they need. The enduring wrangle over whether free market mechanism of supply and demand is sufficiently supple to make adjustments without causing widespread disruption or if some degree of collective international management, including price-fixing, is necessary, has delayed attempts to conclude a new international wheat agreement.

The last agreement collapsed in the late sixties, since then there has been a free market with no agreed reserve stocks, price controls or production quotas. All that has remained of the agreement are its monitoring activities and discussions of the International Wheat Council in London with its 50 members representing the chief wheat exporting and importing countries. At the World Food Conference in 1974 it was agreed to attempt to negotiate a new wheat deal, including a system of grain reserves which would be nationally controlled but internationally coordinated. Until President Carter had taken office, the US attitude, as expressed by the long-term secretary for Agriculture, Earl Butz, was one of firm support of a free market and refusal to accept that the level of reserve stocks should be fixed by reference to prices. The USA wanted grain reserves to be regulated only in relation to production figures, by quantities not prices. The new US administration announced a new policy for wheat a few weeks ago. While it insists still on the primary need for reducing world trade barriers, the Carter administration accepts the principle that agreed price levels could be a reason for the increase or reduction of reserve stocks This change in attitude has cleared the way for discussions which open in September to prepare for a conference in Geneva early next year to negotiate a new wheat agreement.

reserve stocks

This brighter prospect for a new agreement combines with present very satisfactory winter harvest and summer sowing figures to produce some optimism. Last year's wheat crop was a record 417 million tons: this year's is expected to reach 400 million tons. These factors have led to a heavier accumulation of reserve stocks and to a fall in prices of as much as 35 per cent. Falling prices under conditions of free marketing persuade even the most conservative growers to look with more interest at the propositions of price control, at least on a floor price. The gloomier prospect for wheat arises from the fact that ample supply and lower prices may persuade producers to reduce acreage at the new sowings. In the United States, planting for the winter crop is due to begin within the next six weeks. If the growers feel that a substantial part of their future produce will continue to be used to subsidise big reserve stocks when prices are already 35 per cent below the former market peak, they may consider reducing acreage in order to produce less grain and so boost prices again. If this happens, present bounteous reserves could soon vanish. The Geneva conference on a new wheat agreement early next year will be of maximum importance to all deve-

loping countries in almost all continents.

It is not a far cry from grain to food generally and to food prices. Almost nowhere is the food price position even remotely satisfactory. Spain, which, despite many troubles, used to be able to claim that it was a cheap country to live in can do so no longer. Living, for citizens and visitors alike, is distinctly expensive. Inflation clouds even Europe's sunniest land. Last week's 19.9 per cent devaluation of the peseta may attract more tourists to Spain and more importantly, make its produce and manufactures more readily marketable while stopping a drain on national financial reserves, but it is unlikely to make living for the Spaniard cheaper for a long time to come. Inflation in Spain has been running this year at 27 per cent, compared with just under 30 per cent last year—a figure which puts Spain at the top of the OECD inflation league while its balance of payments deficit, expressed as a percentage of Gross National Product, is significantly worse than any other west European country.

rampant inflation

But Spain alone does not weep over its inflation rate. Britain has a steadily rising rate of imflation, now somewhere between 17 and 20 per cent; France, a little luckier, has current inflation rate at 9.8 per cent. But statistics of inflation do not reveal how much more expensive it is for the average citizen to live from day to day. A Briton cutting shopping to meagre minimum may be only 15 per cent worse off than a year ago but his travel to and from work is up nearly 20 per cent and such homely items as tea, sugar and coffee are beginning to price themselves out of possibility as purchases. Despite favourable weather, with sufficient rain, vegetables are 18 per cent up on last year and fruit rather more—with a very poor range of choice. Strawberries that can be had for about 20p a lb in the country sell in the London streets at 80p. The Frenchman is not much better off; the government has limited profits on coffee to those existing last year since coffee sells at up to £8 a kilo or just under £4 a lb. Food prices generally have jumped 13.8 per cent in a year and the government, with elections coming next year, is warning the public (or next year's voters) not to pay above certain prices. Characteristically, the French, in order to sell French manufactures to Frenchmen have clamped heavy import quotas on textiles from Asia.

Completion of the European Community's customs union three weeks ago has been followed by not a few signs of division that cloud the unity image. To preserve not only their fishing but, physically, the fish themselves. The British have rigorously policed their 200-mile fishing limit and banned herring fishing in the North Sea, to the fury of the Dutch and Danes who do a very sizeable business with North Sea herring. Ruthlessly heavy fishing, largely by the continental Europeans, has dwindled herring stocks in the sea to about 50,000 tonnes and threatened that type of fish with total extinction.

More significantly, west Europe, which confirmed its faith in liberal trade policies in London only a few weeks ago, has been penalising imports which threaten European industries already weakened by recession. These industries are, particularly, textiles, footwear, ship-building and some forms of steel manufacture and electronics. The European Parliament's committee on economic and monetary affairs has suggested waiving the Community ban on national subsidies and the imposition of duties on steel products from third countries dumped on the Community market. The bugbear of industrial unemployment makes temptation for the Community to fall back on protectionism increasingly compulsive.

The obvious move towards protectionism in Europe and the increasing pressure of the problems compelling this policy has persuaded President Carter to send a special trade representative to the European Community in Brussels to try to win agreement that the long-discussed GATT multilateral trade negotiations be brought to a conclusion. To some extent, the USA is itself resistant to these negotiations and has operated many of the existing agreed policies without formally adopting them. But the USA, with a still falling value of the dollar and rising home unemployment, is anxious to prevent the European Community from shutting some of its markets against US imports as a protective measure in order to keep its industries working at least as fully as they are at present.

France, in particular, has cast doubts on the value of further tariff cutting to make trade freer and has hinted at erecting barriers against foreign competition. There is anxiety on both sides of the Atlantic: the USA has conceded as an inducement to get the GATT discussions moving again, that trade in agricultural and industrial products can be treated separately—as the European Community has long insisted. The US hopes to have a new GATT agreement tied up by July 25 but may find that the old European system of taking one's time still remains a useful technique in negotiations when refusal is indicated without actually saying no.

EASTERN ECONOMIST

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US economy gathers momentum

The prospect of a decline in the wholesale price index for June suggests that the worst is over for the United States so far as inflationary pressures are concerned, says the monthly survey issued in July of the Morgan Guaranty Trust Company. Recent data, the survey says, appear to confirm that capital investment and government purchases will be coming to the fore.

JUNE BROUGHT fresh evidence that the US economy's momentum is continuing apace. The second quarter saw substantial advances in sales and output, with "real" GNP likely to record a gain at an annual rate of roughly seven per cent. Meanwhile, the prospect of a decline in the wholesale price index for June, to be released shortly, suggests that the worst of this year's inflationary surge is over.

Despite the good behaviour of these measures of current performance, the "pause" in the index of leading indicators for May lent support to the view of some analysts that the second half will show considerable weakness in economic activity. Increasingly, the observation that the personal saving rate is now low—and therefore that economic activity will lack impetus from the consumer—has become the analytical cliche of the day.

rapid growth

It is certainly true that the rapid growth in instalment debt, which is largely responsible for the decline in the saving rate, cannot go on forever. Increases in consumer spending are likely to be moving into line with income gains. But recent data appear to confirm that other sectors of the economy, particularly capital investment and government purchases, will be coming to the fore with more force—thus offsetting less vigorous growth in consumer outlays. Those who expect such a pattern would not be surprised to see the rate of advance in real GNP slow to about five per cent—down, it is true, from the present pace but far from a warrant for the concern expressed by those who focus single-mindedly on the consumer sector.

Overlooked by many analysts is the critical role to be played by government purchases. Reflecting the relative sizes of the capital investment and government sectors, a seven per cent increase over the next year in real investment spending would contribute to real GNP only about two thirds of the increase that would come from a five per cent growth in real government purchases—a growth rate no greater than GNP itself is expected to register. That is to say, constant share for government purchases would weigh more heavily in the advance of GNP in the short run than an increase in ivestment demand that is on the optimistic side.

budget squeeze

Part of the reason for lack of emphasis on government purchases in many forecasts stems from the difficulty analysts have had in projecting federal spending in a period of baffling budget underruns. Trends in state and local spending also have been hard to predict: no one knew for certain how long it would take state and city officials to perceive, and to act on, the genuine improvement in their governments' finances seen in the last year or so. Reflecting the squeeze on state and local budgets that had occurred earlier, and the federal budget underruns, real government purchases exhibited no growth between the first quarter of 1976 and the first quarter of this year. As a share of GNP, they declined to 20.2 per cent from 21.0 per cent—which itself was down from the 22.1 per cent recorded at the recession low in early 1975.

Looking ahead, it seems unrealistic to extrapolate such weekness in spending. Excluding retirement funds, the budgets of states and localities turned sharply positive in late 1976 after almost three years of uninterrupted red ink. By the second quarter of this year, even though spending was heavy (particularly for construction projects), the surplus grew to an estimated annual rate of $9 billion. Recent borrowings also support expectations of stepped-up outlays. In the first half of the year, state and local financings totalled $23 billion—far ahead of last year's pace even allowing for considerable refunding in a favourable market. An important plus is an anticipated increase in federal grants flowing from the $20 billion of public-works and other appropriations signed by President Carter in May. In the furor over the loss of the $50 rebate, the fact that this piece of his stimulus package is still intact was almost overlooked.

As for federal purchases, which are two-thirds defence-related, strong gains are also in prospect—the president's call for ending the B-1 effort notwithstanding. While spending remains behind budget, all of the advance indicators of defence outlays are now on the rise. Military prime contract awards in the six months ended April, the latest available month, averaged 29 per cent above year-earlier levels; on the same basis, Defence department obligations were up 22 per cent and defence capital-goods orders rose 26 per cent. Such strength will be reflected in business inventories for a time, and later in the government purchases component of GNP.

leading indicators

In the perspective of a year or so, budgeted outlays are still the best leading indicator of defence spending. Even if next year's spending for the three components that account for major shifts in trend—procurement, R & D, and operation and maintenance—falls short of budget by a margin as wide as 10 per cent, it will still be up over fiscal 1976 by almost 20 per cent.

In these numbers—as well as in reports of the financial improvement now enjoyed by states and localities—there is a message for those analysts who are over-doing the significance of the low level of the personal saving rate. There's a message, too, for policymakers in Washington, who would be well advised to resist calls for fresh fiscal stimulus at the first sign of hesitation in consumer spending.

MOVING FINGER

Now that Mr Neelam Sanjiva Reddy has been duly installed as the sixth president of the Republic of India, after swearing (solemnly and hopefully) "true faith and allegiance to the Constitution of India as by law established," I reiterate my respectful suggestion to Mr B.D. Jatti, now reverted to the office of vice-president, that he should submit his resignation and thus create a vacancy to be filled preferably by a north Indian, preferably a woman, preferably middle-aged rather than aged and preferably a Harijan, Tribal, Christian or Parsi. By this gesture Mr Jatti could ensure that his public life remains memorable for more than one reason.

The chief minister of West Bengal and also his colleague the Finance minister have been at pains to reassure the business community that the Left front government in the state proposes to function within the parameters of a mixed economy. This declaration of intent is most welcome against the background of the ideology professed by the ruling party in that state and more particularly, the performance of the CPI(M) when it was last in office. However, if the Jyoti Basu administration is really in earnest about making West Bengal attractive for the kind of massive investments in industry which the chief minister says he desires, the state government could do this best by taking steps here and now to re-establish a congenial climate for current production. It is surely not an accident that, for the last seven years or more, no new industrial enterprise with a capital investment of over Rs 25 lakhs had come up in West Bengal. Even in the public sector, Haldia aside, there has been no major investment in industrial expansion.

More recently, although no part of the country has been spared by the industrial recession, there are, relatively speaking, more depressed industries and more sick industrial units in West Bengal than in any other industrialised region in the land. If the state's economy is to be rescued from this unhappy situation, the state government has to make an all-out priority effort to secure stability or improvement in two vital sectors. These are labour and power. In both respects, the conditions now prevailing in the state are far from satisfactory, though credit must be given to the chief minister and his colleagues for the obvious interest they have shown in ensuring industrial peace. Their initiative in dealing with the power bottleneck is less conspicuous and it is absolutely necessary that there should be positive evidence immediately of their determination not to let things drift. Once the state government has succeeded through its deeds in bringing about a change for the better in the conditions necessary for the proper working of existing industries, the path would have been cleared for new investments. Businessmen will not wait to be asked twice.

The rejection of the Sirimavo regime by the Sri Lanka electorate completes the disbandment of the monstrous regiment of women prime ministers who, actually numbered only two (Mrs Golda Meir, though she is a woman and was a prime minister, being pure gold). It is for Burma now to try to liberate itself from the tyranny of obscurantist despotism. That country's ruler however has left no scope for a peaceful change to democratic normalcy. This must be frustrating for the people of Burma, but it could do no good to president Ne Win either as the day of reckoning arrives, as it must some time, unless, of course, the intervention of the factor of the mortality of all living things meanwhile provides both Burma and its president with the means of release from an impossible situation.

Since the Finance minister has stated in parliament that the Swiss bank concerned had declared that the draft alleged to have been issued by it to Mrs Menaka Gandhi at the instance of her husband is not a genuine document, the way is surely clear for the Gandhi couple to sue *The Statesman* for publishing what purported to be a photocopy of the alleged document. I do realise that the law of libel in this country unfortunately is not as capable of providing substantial and timely redress to victims of libel as the corresponding law in the UK is. I am also aware of the fact that Mr Sanjay Gandhi is presently weighed down with numerous cares. Nevertheless, he will be doing a great public service as well as striking a blow for himself and his famly if he resolves to take to court a newspaper as prominent as *The Statesman*, when it has chosen to be irresponsible enough to circulate grave allegations of criminal offences against individuals, without vouchsafing the reliability of its source and, indeed, while carefully refraining from accepting its inescapable responsibility for the authenticity of its reports.

Even after the Finance minister's statement in parliament, *The Statesman* has neither offered an apology to the Gandhis nor declared—assuming that it is in a position to do so—that it stands by "a reader from Switzerland", from whom it claims to have received the alleged photocopy. Moreover. Mr C.R. Irani, the managing director of *The Statesman*, is presently not only busy trying to assist in restructuring *Samachar*, but has also placed himself in the forefront of an effort to revive the institution of Press Council. Mr Sanjay Gandhi has done immense harm to great public causes, including population control, by his misdeeds in the recent past. He could expiate his sins to some extent by taking the trouble of teaching a lesson to an influential newspaper of our country regarding its obligation to adhere to standards of responsibility to readers and fair play to individuals.

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TRADE WINDS

IDA Credit for Irrigation

THE INTERNATIONAL Development Association (IDA) an affiliate of the World Bank, recently announced the approval of two credits totalling US $83 million to assist agricultural development in India. A credit of US $70 million will help finance two irrigation projects in the state of Maharashtra. The other credit of US $13 million will assist an agricultural research and extension project in the state of Rajasthan. The IDA credits to India are for 30 years including ten years grace. They are interest free, except for a service charge of 3/4 of one per cent to meet IDA's administrative costs.

The credit will help finance in building up infrastructure for the Jayakwadi irrigation system, begin the modernisation of the adjacent Purna irrigation system, and start a ten or fifteen year command area development programme designed to serve one million hectares. The project will alleviate food shortages, improve farmers incomes and provide additional employment opportunities.

Ten-Year Project

At full development in ten years, the Jayakwadi project will help increase net annual farm incomes from the present average of about US $178 to an average estimated US $1,367 per family. The project will provide about 38,000 man-years of additional employment in agriculture, mainly for landless labourers, who make up one-third of the population. It will increase the annual production by about US $24 million worth, including 111,000 tonnes of foodgrain. This is IDA's first major irrigation project in the drought-prone central Deccan region of India. The project marks the first step in an irrigation programme that will cover over a million hectares in the state.

The project is designed to consolidate and strengthen agricultural extension services in 17 out of the 26 districts in the state of Rajasthan, and help develop adaptive research facilities with the objective of achieving early and sustained improvements in agricultural production, particularly foodgrains. It is estimated that the project will directly benefit about 290,000 contract farmers and through them at least 1.5 million of the 2.8 million farm families living in the area.

EEC Violates Pact

The Commerce minister, Mr Mohan Dharia, expressed concern in the Lok Sabha at the unilateral decision taken by the European Economic Community (EEC) to impose restrictions on the import of cotton textiles. Mr Dharia stated that the decision taken by EEC was "absolutely in violation of the agreement" between India and EEC. These curbs of Indian textiles, particularly those of the handlooms, he said, would have far-reaching implications from the socio-economic view-point.

The Commerce minister informed the house that complaints lodged by India against the imposition of these restrictions were being heard by the Textile Surveillance Body (TSB) created under GATT regarding international trade in textiles to supervise agreement and resolve disputes arising thereunder. Mr Dharia said, the government had taken a decision to set up a separate export promotion council for ready-made garments consisting of representatives of those engaged in the industry.

President and Speaker

Mr Neelam Sanjiva Reddy has been elected sixth president of India. He was sworn in by the Chief Justice Mr M.H. Beg, in the Central Hall of Parliament on July 25, 1977.

Mr K.S. Hegde, a former judge of the Supreme Court, has been unanimously elected as the Speaker of Lok Sabha. Prime minister Mr Morarji Desai, who is leader of the house, proposed Mr Hegde for Speakership and the motion was seconded by the leader of the opposition, Mr Y.B. Chavan.

Copper Projects

The minister of Steel and Mines, Mr Biju Patnaik, informed the Lok Sabha, recently that the following copper projects of Hindustan Copper Ltd are likely to make a profit in 1976-77, according to the provisional estimates: (i) Indian Copper Complex, Singhbhum (Bihar) of Hindustan Copper Ltd,—Rs 1,032.59 lakhs; (ii) Dariba Copper Project (Rajasthan) of Hindustan Copper Ltd —Rs 53.63 lakhs; (iii) Chandmari Copper Project (Rajasthan) of Hindustan Copper Ltd—Rs 15.50 lakhs; and (iv) Rakha Copper Project, Singhbhum (Bihar) of Hindustan Copper Ltd—Rs 11.45 lakhs. The Bhotang Mines at Rangpo of Sikkim Mining Corporation, trates along with lead and zinc concentrates also made a nominal profit of Rs 3,000 during 1976-77.

US Assistance

India and the USA are "on the verge of a new era of a close and friendly relations." After a day-long meetings with Indian leaders, Mr. Warren Christopher, US deputy secretary of state, told newsman recently that conditions were ripe for entering the era of closer friendship. The US had offered to resume aid. It has earmarked $60 million in a Bill now before Congress. An agreement may be signed when Mr Vance, US secretary of state comes here in October.

Reserve Bank Board

The union government has reconstituted the central board of the Reserve Bank of India, with effect from July 22, 1977. The 11-member new board will consis of the following persons: Mr Jehangir Patel (chairman, Pat Volk Ltd); Air Chief Marshal P.C. Lal (chairman and managing director of Kirloskar Oil Engines Ltd, Poona); Mr B. Venkatappiah (chairman of Rural Electrification Corporation Ltd); Mr M.P. Chitale (chartered accountant); Dr D.P. Singh (vice-chancellor of Rajendra Agricultural University, Patna); Dr V. Kurien (general manager of Kaira District Cooperative Milk Producers Union Ltd, Anand); Mr A.N Haksar (chairman of India Tobacco Company Ltd, Calcutta); Mr Bharat Ram (chairman and managing director of Delhi Cloth and General Mills); Prof M.L. Dantwalla (chairman of the Indian Society of Agricultural Economics, Bombay) and Mr M.V. Arunachalam (managing director Tube Investment

of India Ltd, Madras). Of the 11 members, the last seven have been renominated.

Petrol Dealers Demand More Commission

There has been a marked decline in the margin of profit of the petrol dealers during the last few years, said Col M.S. Krishnamoorthy (Retd), President, Delhi Petrol Dealers Association, at a press conference recently.

The average minimum commission which came to 6.05 per cent in 1962, now works out to 1.47 per cent, which further gets reduced to .47 per cent, when the evaporation loss to the order of one per cent, is taken out. Besides the investment costs, during the same period, have gone up five times and interest rates have been doubled, consequently increasing the operating costs many fold. The commission rates under the new slab system were inadequate to meet the operating costs, he added.

Some Suggestions

Col Krishnamoorthy urged the government that in the public interest, it is vital that some concrete steps to neutralise erosion in profit margins should be taken expeditiously. The relief can come from one or more of the following quarters:

(a) A fresh look at commission rates structure could be taken by government so that a minimum of five per cent gross margin is assured.

(b) Steps to reduce our operating costs can be taken by prevailing on the nationalised banks to charge a special lower rate of interest on borrowings by retail outlets, treating these as a public utility service.

(c) Oil companies may consider absorbing the evaporation loss/handling losses and building them into the price structure.

(d) Electricity and water charges are being recovered at commercial rates in most cases. If recoveries on electricity are made at special reduced rates and drinking water is supplied free of charge, as a public convenience, a certain amount of relief will result.

(e) The profitability aspect can be gone into by a committee deputed by the Bureau of Industrial Costs and based on their recommendations, MRTPC may be requested to review their decision on the question of service charges, fixing, if necessary, say a maximum of two per cent leviable in metropolitan towns and one per cent in rural areas.

He also assured the government and the public that the petrol dealers could improve their service to the motorists, if the profit margins are restored to 1955 or 1962 levels or at least rendered economically viable.

Swedish Assistance

The Development Assistance Committee (DAC) of the OECD met recently, under the chairmanship of Mr Maurice J. Williams to review the development assistance efforts and policies of Sweden. The Swedish delegation was headed by Mr H. Blix, Under-Secretary of State at the Office for International Development Co-operation in the ministry of Foreign Affairs. The committee noted that after a period of outstanding growth, Swedish Official Development Assistance (ODA) net disbursements rose in 1976 by 12.5 per cent in national currency to $608 million. This implied that in relation to GNP, ODA disbursements remained at the preceding year's level of 0.82 per cent. Aid appropriations now correspond to close to one per cent of GNP. In this connection the committee welcomed the policy statement of the new government, when taking office in October last year, that "the goal of contributing one per cent of GNP to international development cooperation is to be regarded only as a first step."

Finance Commission Invites Suggestions

The seventh Finance Commission held its first meeting on 19, July 1977 in New Delhi. The terms of reference given to this commission are broadly the same as were given to the sixth Finance Commission. As on the previous occasions, this commission has also been asked to make recommendations regarding the devolution of taxes and duties between the union and the states and *inter-se* the states, as well as the principles which should govern the grants-in-aid of the revenves of the states and the amounts to be paid to the states in need of assistance under Article 275 of the Constitution for purposes other than those specified in the proviso to Clause 1 of that article.

The commission has decided to invite views and suggestions of those interested in the matters covered by its terms of reference. It will be glad to receive written memoranda setting out the views and suggestions of such persons and organisations as are interested in any of these matters. Those interested may obtain copies of the terms of reference from the Member-Secretary, Finance Commission, Vigyan Bhavan Annexe, New Delhi. Written memoranda containing their views and specific suggestions should be addressed to the Member-Secretary so as to reach him latest by October 15, 1977.

Communications Plan

The ministry of Communications has started preparations for a larger effort for implementing projects during the last two years of the current Plan than what was achieved during the first three years. Against an expenditure of over Rs 38 crores during the first three years, the ministry will spend over Rs 54 crores during the rest of the Plan period. The Plan projects under the ministry relate mainly to overseas communications, the Indian Telephone Industries, the Hindustan Teleprinters, Wireless Planning and Coordination and Monitoring Organisation. This has been disclosed in the annual report for 1976-77 of the ministry

Cashew Output

The Kerala Agriculture minister, Mr K. Sankaranarayanan stated recently that the state government proposed to extend cashew cultivation to an area of 20,000 hectares this year and had provided Rs 28 lakhs in the current year's budget for payment of subsidy to the cultivators. Inaugurating a seminar on "cashew with accent on infestation", organised by the Export Inspection Agency Cochin, he said that the possibility of increased production of cashew, sufficient to cater to the requirements of more than 200 factories employing 125,000 workers in Kerala alone was not a distant dream.

Citing the example of Malaysia which became the largest exporter of palm oil in ten years, Mr Sankaranarayana said, the growing gap in th

supply of raw cashewnuts to the factories could be bridged by extending the area under cashew cultivation and by effective transfer of the technology for the development of cultivation. The state government's programme comprised of distribution of two million cashew seedlings free of cost and giving subsidy to the small cultivators with two hectares or less at the rate of Rs 300 per hectare spread over for three years.

Cultivators owing more than two hectares of land would be offered seedlings and maintanance subsidy those owning more than four hectares but less than eight hectares would receive free supply of seedlings. Mr Sankaranarayanan said, the cashew industry earned for the country every year over Rs 100 crores in foreign exchange, but the import of raw nuts from East African countries accounted for Rs 35 crores. This unhealthy trend had to be changed by boosting up the internal production of raw cashew.

Power Contract from Saudi Arabia

The Bharat Heavy Electricals Limited has been awarded a contract on a turnkey basis by the Electricity Corporation of Saudi Arabia for Wadi Jzan electrification project. The total value of the contract would be $74 million US dollars. The scope of work consists of supply, erection and commissioning, inclusive of associated civil works of a central diesel power generating station of 35 MW capacity at Jzan, four indoor substations, one each at Sabya, Abu Karish, Hudayrah and Jzan town and approximately 180 km of 33 kv overhead transmission line interconnecting the power station and sub-station, overhead line and cable distribution network, and transformer stations and service connections to the houses. The civil works will be carried out by Engineering Projects India Limited. The transmission and distribution work has been sub-contracted to the Bombay Suburban Electricity Supply Company.

Gas Struck in Tanzania

The Oil and Natural Gas Commission has struck natural gas in commercially viable quantities in Songo Songo in Tanzania. ONGC was entrusted with the job after a west European firm opined that gas in commercial quantities would not be found. ONGC carried out tests in Songo Songo where traces of gas were found in 1974. After some initial setbacks, it has finally discovered that commercially exploitable quantities were present at the site. ONGC carried out feasibility studies in September-October, 1975. A contract was signed in December 1975 and the first well spuded in June last year. Tests revealed approximately 30 billion cubic metres of gas valued at about Rs 500 crores.

Indo-Japanese Cooperation

Japan and India are likely to have improved economic relations in near future. Japanese Foreign minister, Lichiro Hatoyama, who was here recently told newsmen that "Japanese private sector will respond in future" to the favourable investment environment assured by the new Janata government. He admitted that the Indo-Japanese consultative forum for stimulating cooperation among private sector entrepreneurs had not been active in the past. During his talks here with various ministers on economic cooperation, it had been decided that fresh efforts will be made to promote industrial collaboration. India will send a team of experts to Japan to establish contacts with the stewards of private industry, to explore prospects of industrial collaboration in heavy and light industry, rural industry and small and medium ventures. Subsequently, Japan will send an expert team to survey collaboration possibilities in these and related fields here.

Export Awards

As many as 104 exporters received National Awards on July 16 from the acting president Mr B.D. Jatti for outstanding export performance for the years 1974-75 and 1975-76. There were eight winners of trophy and 44 winners of certificate of merit for the year 1974-75 and 13 trophy winners and 39 winners of certificate of merit for 1975-76. The ministry of Commerce had earlier announced the names of the winners of National Awards for outstanding export performance in April this year. The selection had been made by a high level selection committee presided over by Mr B.N. Lokur, retired judge of the Allahabad High Court.

Mr P.C. Khanna, director of Britannia Biscuit Company Ltd, was among the recipients of the National Awards. Britannia Biscuit Company, which exports biscuits and marine products increased its export earnings from Rs 250.86 lakhs in 1975-76 to Rs 397.17 lakhs in 1976-77 of this the export of biscuits accounted for Rs 1.54 crores against Rs 93 lakhs in the preceeding blished a reputation of Indian biscuits in the world market.

Mr B. Nehru, managing director of Tata Exports also received the trophy. During 1975-76, Tata Exports exported mostly non-traditional products valued at Rs 55 crores—an increase of 71 per cent over its previous year's performance. Export of engineering products amounted to over Rs 40 crores, as against Rs 19 crores for the corresponding period in the earlier year. Export include Tata commercial vehicles, steel plant equipment, industrial and railway equipment, drilling, road construction and agricultural equipment, sugar mill machinery and power and transmission engineering products.

Micro Milk Chillers

Mr B.G. Banakar, minister for Animal Husbandry and Dairy Development, government of Karnataka, inaugurated recently in Bangalore the working demonstration of the micro milk chilling unit designed and developed by Larsen & Toubro Limited (L&T). The micro chiller is ideal for preserving smaller quantities of milk collected in remote milk collection centres. The micro chilling unit has been developed in L&T's own R&D laboratories taking into account the Indian conditions and needs. The micro chillers offer the advantages of bulk coolers and instant chillers at a lower price. These 500-litre units are ideal for villages where the milk available for marketing does not justify larger investment in conventional milk-cooling equipment.

Larsen & Toubro is the first in India to develop micro chillers. The chiller consists of a refrigeration unit which

produces the chilled water for cooling of milk. Integrated channels in the milk tank walls, through which chilled water is circulated, ensures rapid cooling of milk. The unit cools the entire quantity of milk simultaneously at a fast rate.

Labour Laws Panel

The centre appointed a high power 30-member committee with wide terms of reference to review not only all the central and state labour laws out also the non-statutory schemes and bodies like the code of discipline and the national tripartite advisory forums and suggest a comprehensive law on industrial relations. The urgency and importance being attached to the committee is seen in that the Labour minister, Mr Ravindra Verma himself is heading the committee which had been asked to submit its report within two months.

The committee has been asked to prepare a broad framework for such a law with special references to : (i) the categories of workman (including public servants) and industries to which the suggested legislation should apply; (ii) the organisation, structure and functions of the industrial relations machinery so as to make it an effective instrument for the maintenance of industrial peace through the promotion of collective bargaining and for the settlement of industrial disputes through mediation, conciliation, arbitration or adjudication; (iii) the conditions for registration of unions and listing of unfair practices on the part of workers and unions and employers; (iv) the method of determining the representative character of trade unions for the purpose of reeognition as bargaining agent by management in a unit of industry including the question of constituting a judicial sole bargaining agent within universal membership of all the workmen employed therein or any variation thereof such as collegiate bargaining agent with proportional representation of various unions "possibly through secret ballot."

The committee will also review the existing composition and pattern of representation the national tripartite advisory forums such as the Indian Labour Conference and the standing labour committee and recommend changes that may be necessary "keeping in view the existance of various workers and employers' organisations (including managements in public sector) at the national level. The Labour ministry is itself providing the secretariat for the committee. The committee may devise its own procedure and call for such information and take such evidence as it may consider necessary.

Committee Members

The members of the committee are: Mr N.M. Barot, Labour minister, Gujarat; Mr B.N. Waghray, Labour Commissioner, Andhra Pradesh; Mr I.C. Kumar, Labour Secretary, Bihar; Mr Vaman Sardesai, Labour Commissioner, Goa; Mr P.D. Kasbekar, Labour Secretary, Maharashtra; Mr G. Kamalaratnam, Labour Commissioner, Tamil Nadu; Mr Brij Nandan Swarup, Labour Secretary, Uttar Pradesh; Mr S.N. Roy, Deputy Secretary, Labour department, West Bengal; Mr G.N. Mehta, Joint Secretary, department of Industrial Development; Mr Jagdish Lal, Director (Establishment), Railway Board; Mr D.D. Puri, Employers' Federation of India; Mr P.C. Mehta, Employers' Federation of India; Mr K.N. Modi, All India Organisation of Employers; Mr Minoo R. Shroff, All India Manufacturers' Organisation; Mr B.D. Somani, All India Manufacturers' Organisation; Mr R.P. Billimoria, central public sector, Mr B.L. Wadehra, central public sector; Mr B.N. Baliga, state public sector; Mr G. Ramanujam, INTUC; Mr K.G. Srivastava, AITUC; Mr Mahesh Desai, Hind Mazdoor Sabha; Mr Jatin Chakravorty, Pubiic Works and Housing minister, West Bengal (repreScnting United Trades Union Congress); Mr D.B. Thengadi, Bhartiya Mazdoor Sangh; Mr V.N. Sane, Hind Mazdoor Panchayat; Mr P. Ramamurthi of CITU; Mr Pritish Chanda, United Trades Union Congress —Lenin Sarani; Mr Naren Sen, National Front of Indian Trade Unions; Mr A.N. Buch, National Labour Organisation.

Shellac for China

India has secured a fresh order from China for the export of 200 tonnes of shellac. The first deal for export of 600 tonnes of shellac to that country was finalised recently. The latest order has been secured by private exporters through direct negotiations with Chinese buyers. The bulk of the order of 200 tonnes was negotiated by a local firm. Since shellac exports are canalised through STC, shipments against this contract will obviously be on STC's account. The first order for 600 tonnes is to be serviced by two other local firms. Shipments are expected to be completed latest by July 31. According

Registration of Firms

Applications invited from Manufacturers/Accredited Agents, reputed Stockists and Dealers for enlisting their names in the list of approved Suppliers maintained by this Establishment. The Forms can be had from the Office of the Director, DMSRDE, P.B. No. 320, Kanpur upto 30.8.77. The existing Suppliers are also advised to apply.

1. **Chemicals**:—(a) Various types of Laboratory and Industrial Chemicals, Acids, Alkalies and Solvents C.P. and Analytical Reagents Gdes, Laboratory Reagents Gde, Spectroscopic Gde, Chromatographic Gde, Bacteriological Gde, Electronic Gde, IP/BP Gde, Commercial Gde and of BDH/EM/SM/Pfizer, Riedel/Fluka Make etc, Biochemicals, Biological Reagents. (b) Various types of Adhesives, Paints, Dyes, Dyestuffs, Colours, Pigments, Lac and Shellac, Synthetic Resins, Rubber Chemicals, Rubbers, Petroleum Products, Mineral Products, Tar Products etc.

2. **Scientific Apparatus & Anciliaries**:—Glassware, Silicaware, Porcelainware, Single Pan Balances, Micro/Chemical/Analytical Balances, Weight Boxes, Ovens, Hot Plates, Heat Connectors, Incubators, Thermometers, Filter Papers, Rubber and Plastic Tubings, Heating Mantle, Corcks Rubber Sheets etc.

3. **Electrical Goods/Equipments/Instruments**:—Gas Compressors, Cinematographic Equipment, Refrigerators, Deep Freezers, Furnaces, Potentiometers, X-Ray Machinery and Equipments, Electronic Instruments, Electric Motors, Voltage Stabilizers, Switchgears, Controlgears, Motor Starters, Fuses, Telephone Equipment, Process Instruments and Chemical Engineering Equipment. Various Types of Cables, Wires and Connectors and Electrical and Electronic Components.

4. **Heavy Machinery & Tools**:—Gas Plants and Equipments, Boilers, Grinders, Hydraulic Equipment, Photography Equipment and Materials, Printing and Allied Machinery, Textile Machinery and Spares, Workshop Machinery, Machine Tools, Pumps, Rubber and Plastic Industry Machine etc.

5. **General Stores**:—Hardware, Timber Plywood, Sunmica, Fevicol, Polishing Material, Textiles and Clothing Items, Glass Sheets, Glass Fibres, Fibre Glass Textiles, Fire Fighting Equipment, Ceramics, Building Materials, Industrial Gas, Gas Cylinders, Leather, Leather Goods and Footwear Items.

6. **Tools**:—Carpenter's Tools, Blacksmithy and Tinsmithy Tools, Electrician's Tools, Machine Tools and Allied Gadgets.

7. **Stationery & Book Binding Stores**:—Printing Paper, Pulp Boards, Type & Composing Material, Binding Cloth, Rexine, Tape Newar, Laces, Printers Ink, Tracing Paper, Graph Sheets, Duplicating Paper etc.

Filled Application Forms with Registration Fee Rs 10 (By Cash/M.O. only) should reach this Establishment by 29.9.77.

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to knowledgeable circles prospects for getting more orders from China are bright.

Telco Output

The output of Tata Commercial vehicles manufactured by the Tata Engineering and Locomotive Company during the period April-June 1977 was 6,322 units as compared to 6,225 units produced during the corresponding period last year.

Sales of Some Drugs Banned

The free sale of Mexaform, Enterovioform and many other drugs widely used in the treatment of stomach complaints, including diarrhoea, has been banned in a swift move by the central government. Over 100 anti-diarrhoea drugs, widely used in the country, will no longer be available over-the-counter. A doctor's prescription will now be required to purchase them. This government action follows the heated controversy over Enterovioform and Mexaform sparked off by a leading British medical journal which urged their ban on the ground that they can cause blindness, brain damage and paralysis.

Recycling of Wastes

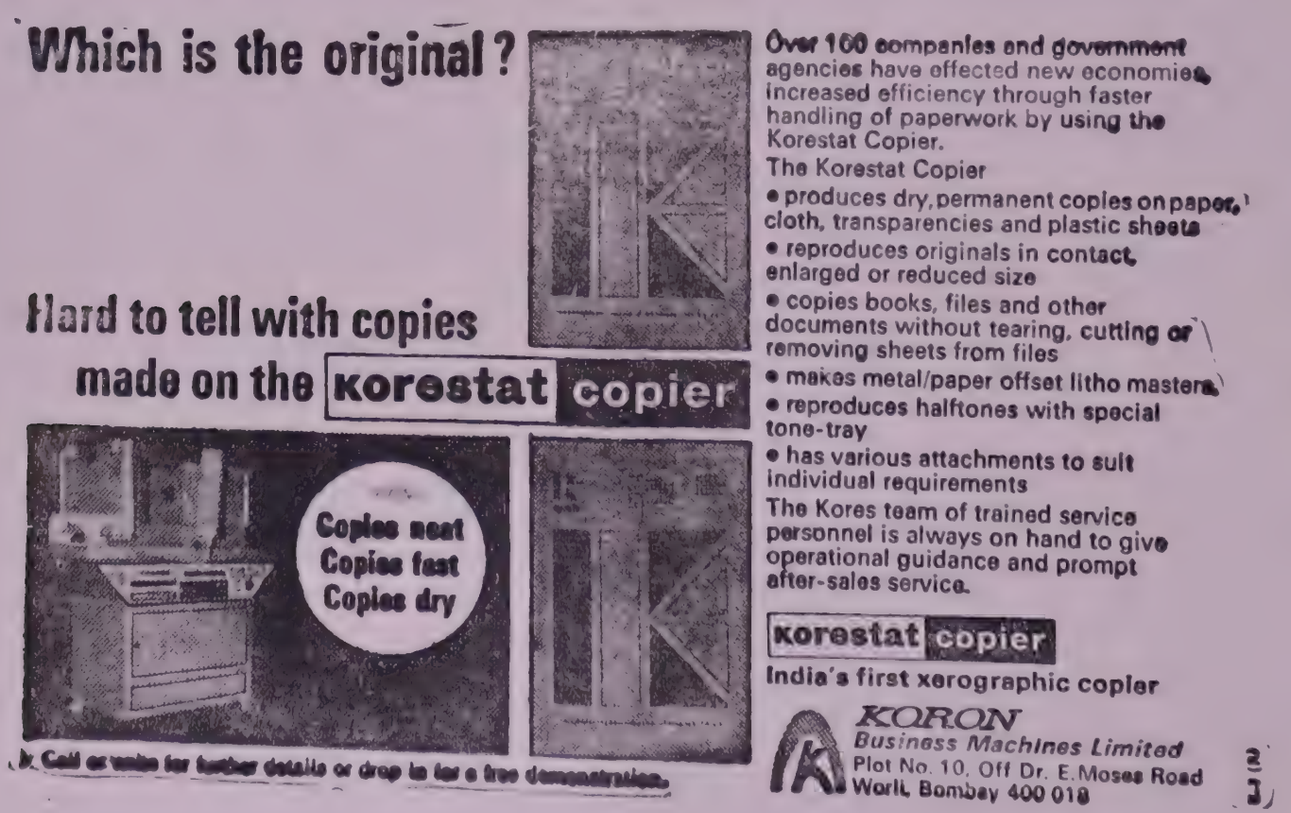
The industrial undertakings holding industrial licences for manufacture of certian items and desiring to use their wastes and effluents for manufacture of new products or expand their existing licenced capacity would ordinarily be allowed to do so by endorsing such capacity for new items or for expansion in the existing industrial licences. This decision has been taken by the government in the context of its policy to promote fuller utilisation of existing capacity and maximise production. Government have been considering for some time past the question of enouraging industrial undertakings having versatility and potential to utilise their waste products and effluents for manufacture of new items or for expanding their existing capacity.

For availing of the new facility, the industrial undertakings will have to submit applications in Form IL, to the Secretariat for Industrial Approvals, ministry of Industry, Udyog Bhavan, New Delhi. Such applications will be considered liberally on merits and wherever government agree to allow industrial undertakings to recycle their wastes and effluents, necessary endorsement of capacity for the items allowed would be made on their industrial licences.

Names in the News

Mr Arun D. Dhanukar, deputy managing director of the Maharashtra Sugar Mills Ltd and managing director of Tilaknagar Distilleries & Industry Ltd has been elected president of the Decan Sugar Factories' Association for the year 1977. Mr Dhanukar is a technocrat-Industrialist.

Mr Prabhakar Dattatraya Vaidya, company secretary and financial manager of Atlas Copco (India) Limited has been appointed on the board of directors of the company. Mr Vaidya, who continues to be the company secretary and financial manager, joined the company in January 1962.



COMPANY AFFAIRS

Birla Jute

ALTHOUGH THE profitability of he jute division was affected by the acute shortage and exorbitant cost of raw jute and continued recession in demand, he Birla Jute Manufacturing Co has been able to improve its overall profit during the year ended March 31, 1977 and raise the equity dividend from 18 per cent to 20 per cent. This is because of a substantial ncrease in production of cement and the improved vorking of the staple fibre spinning unit. The company has shown gross profit of Rs 7.28 lakhs against Rs 5.89 akhs in the previous year.

Fall in Output

The company's output of ute goods during the year came down from 32,611 tonnes o 29,136 tonnes. Exports were maintained around 18,000 onnes. The output of cement, however, went up from 1.24 million tonnes to 1.39 million onnes with marginal improvement recorded by the Satna and Chittorgarh units. The third ement mill at Durgapur is xpected to be commissioned n the last quarter of 1977, hereby increasing the capacity t Durgapur from 400,000 onnes to 600,000 tonnes a ear.

The profitability of the staple bre spinning division improved considerably following ncreased production and better emand, particularly for blend- l yards and fabrics, in the tter half of the year. The company is, however, not taking up the programme for expansion of cotton yarn capacity from 12,760 to 25,000 spindles in view of its existing financial commitments.

Bharat Commerce

Bharat Commerce and Industries has suffered a setback in its working for 1976. The company has made a gross profit of Rs 1.05 crores on sales of Rs 53.48 crores against a profit of Rs 1.92 crores on sales of Rs 42.08 crores in the previous year. Equity dividend has been reduced to 10 per cent from 15 per cent. After providing Rs 80.22 lakhs (Rs 55.92 lakhs) for depreciation, nil (Rs 63 lakhs) for taxation, Rs 16.63 lakhs (Rs 2.95 lakhs) for investment allowance reserve, development rebate reserve and making other adjustments, there is a surplus of Rs 7.13 lakhs (Rs 67.96 lakhs). Dividends, which will absorb Rs 29.24 lakhs (Rs 41.74 lakhs) will be paid after transferring Rs 15.19 lakhs from the general reserve.

Tata Iron

The Tata Iron and Steel Co is considering a joint project with the government of Orrisa for putting up a sponge iron plant on a commercial scale. The company has done a good deal of research at Jamshedpur on adopting known sponge iron technology to the use of non-coking coal as the direct reducing agent. In his annual statement to the shareholders, the company's chairman, Mr J.R.D. Tata, stated that the sponge iron route is already being adopted on a growing scale in other parts of the world using mostly oil or natural gas as the director reducing agent. As there is little gas or oil to spare in India but plenty of coal, the aim should be to use a sponge iron making process using coal as the direct reducing agent. Since India's reserves of coking coal are small in relation to its reserves of iron ore, the process should be based on the use of low grade non-coking coals, of which India has large reserves well dispersed throughout the country.

Sponge Route

The adoption of the sponge route will have the added advantage of reducing the capital cost of steel plants and at the same time of decentralising the industry in smaller units wherever suitable iron ore and coal are available, thus spreading its employment potential. It would also provide high grade raw material for existing electric steel furnaces.

The company's programme of capital expenditure over the next five years exceeds Rs 150 crores, including a colliery project. It provides some diversification in a project for the manufacture of large welded beams. This modest programme will require borrowings of Rs 30 crores. It had urged that the conversion clause in the new loan should be on the lines similar to those of the previous loan. Despite strong grounds on which the company's request was based, it has been turned down. It has appealed to the government against the decision. Mr Tata hoped that the new and more pragmatic administration of today will in the near future abolish at least the mandatory feature of the clause and leave it to the lending institutions themselves to exercise their own judgement in the matter on purely commercial considerations.

United Industrial Bank

Mr J.N. Biswas, chairman, United Industrial Bank Ltd, told the annual general meeting of the company held recently that the deposits of the bank increased by 30 per cent during 1976 against nearly 26 per cent achieved by all scheduled commercial banks during 1976. The deposits of the bank are, broad-based and it continues to be people's bank, he added. Nearly 99 per cent of its depositors have small accounts. Side by side with the growth of its deposits, the advance portfolio of the bank improved both qualitatively and quantitatively. It recorded a rise of 41 per cent during the year. Besides advances to commercial sectors, the bank has lent to priority sector particularly in agriculture and its lending to priority sectors form 20.7 per cent of its total advances. The growth in the amount of advances has been accompanied by a more than proportionate increase in the number of borrowers, especially small borrowers.

In keeping with the social objectives, Mr Biswas stated, the bank has laid emphasis on opening of branches in hitherto underbanked and unbanked areas. The bank realised that in order to revitalise the rural economy, it was imperative that each rural area was made a centre of balanced economic activity. The problem of rural reconstruction was not one of credit alone, he added. It involved an integrated approach.

In its own small way, the bank was endeavouring to meet the requirement of villages wherever it had branches. The majority of the bank's branches were situated in rural and semi-urban areas, Mr Biswas pointed out.

EID—Parry

Mr R. Venkataswamy Naidu, chairman, EID—Parry (India) Ltd pointed out at the annual general meeting of the company held recently that the policy of partial decontrol of sugar was not proving helpful. Levy sugar price continued to be much lower that what should be paid on the basis of current lower recovery trends and depressed prices for free market sugar. The government pricing policies have thus not been helpful both to the grower and the sugar mills especially in south India. The procedure adopted by the government from July 1975 for fixation of the price of levy sugar has been such as to take away the benefit that would have otherwise accrued to the sugarcane grower and the mills through realisation on the sales of free market sugar.

Easy Availability

In the context of fertilizers, he stated that as in 1975 market conditions in 1976 were again one of easy availability of products. The effect of price reduction supported by the government subsidy were meant for revival of the primary demand for phosphatics but factors such as credit constraint and unfavourable seasonal conditions inhibited this revival to some extent. He indicated that following expansion of production facilities in the plant at Vizag, additional volume was made available by Coromandel Fertilisers Limited and its disposal reflected a 36 per cent increase over the previous year. All available urea from Madras Fertilisers Limited was marketed but sales of complex fertilisers were lower than the previous year owing to adverse seasonal factors in the concerned market areas.

Mr Naidu stated that during the year, the company extended the market for its hybrid seeds which have acquired a distinct brand preference on account of their genetic purity and high germination properties. This provided the company a good base for expanding our production capacity and diversifying the seed varieties in the future. The ceramics unit at Ranipet had met all expectations and was performing very creditably. Sales of Parryware have reached an all time high, he stated.

Mafatlal

Mafatlal Industries has reported improved results for the year ended March 1977. Both sales and gross profit are higher than the previous year and the dividend has been maintained at 17.6 per cent (Rs 22 a share of Rs 125). The rights shares issued in November and shares issued to the public and financial institutions in December are entitled to a pro-rata dividend of Rs 9.17 and Rs 7.33 a share, respectively.

As against an increase of 12.3 per cent in gross turnover from Rs 45.15 crores in 1975-76 to Rs 51.71 crores in 1976-77, the gross profit has risen by 7.2 per cent from Rs 4.85 crores to Rs 5.20 crores. After providing Rs 134.85 lakhs (Rs 109.95 lakhs) for depreciation, Rs 57 lakhs (nil) for investment allowance re-reserve and Rs 122.25 lakhs (Rs 177.65 lakhs) for taxation, the net profit amounts Rs 196.99 lakhs in the previous year. After certain adjustments the disposable surplus is Rs 220.42 lakhs (Rs 199.82 lakhs). The proposed dividend will claim Rs 106.94 lakhs (Rs 100 lakhs). Allocation to the debentures redemption reserve has been maintained at Rs 10 lakhs and transfer to general reserve amounts to Rs 100 lakhs (Rs 80 lakhs).

Vijaya Bank

Mr Mulki Sunder Ram Shetty, chairman, Vijaya Bank Ltd, pointed out in a statement on the occasion of the annual general meeting that the deposits of the bank had crossed Rs 221 crores in 1976 showing a rise of 32 per cent in a year. He added that the bank recorded a substantial credit expansion during the year. The total bank credit increased from Rs 101.53 crores in 1975 to Rs 134.62 crores in 1976. A sizeable portion of the credit expansion of the bank was for the purpose of food procurement, he added. Food procurement advances of the bank increased from Rs 5.40 crores in 1975 to Rs 13.35 crores in 1976. Lending to the priority sectors including exports registered a significant rise of Rs 10.86 crores from Rs 30.87 crores in 1975 to Rs 41.73 crores in 1976. The share of priority sector credit in total credit improved from 30.4 per cent in 1975 to 31.0 per cent as of end 1976.

Mr Shetty stated that the bank had done extremely well in financing the country's exports. The bank's export credit increased from Rs 6.63 crores in 1975 to Rs 10.04 crores in 1976. Turnover of export credit handled by the bank amounted to Rs 92 crores in 1976 as recording an increase of 75 per cent during 1976. Right from its inception, the bank has made a name as a "small man's bank". A large number of smaller borrowers belong to the weaker sections of society. In keeping with the national policy, the pace of branch expansion continued in 1976, he stated. The bank opened 66 new offices during the year, thereby raising the total number of branches from 400 in 1975 to 466 at the end of 1976. Of the 66 new branches opened in 1976, as many as 44 (66.7 per cent) were located in rural and semi-urban areas.

Hindustan Sanitaryware

Hindustan Sanitaryware has reported satisfactory working for the year ended March 31, 1977. There has been a slight increase in production, from 5676 tonnes to 5876 tonnes. Sales have gone up to Rs 431 lakhs (Rs 371 lakhs) but gross profit declined to Rs 84.08 lakhs (Rs 100.08 lakhs) due to increase in cost of raw materials. Provision has been made for depreciation Rs 13.78 lakhs (Rs 15.60 lakhs), taxation Rs 35.60 lakhs (Rs 42.50 lakhs) and dividend Rs 11.08 lakhs (Rs 11.08 lakhs). The disposable surplus thus comes to Rs 23.62 lakhs and the same is transferred to general reserve. The directors have proposed an equity dividend of Rs 15 per cent (same as last year).

There has been very little improvement in demand within the country, but exports were remarkably higher at Rs 54.27 lakhs (35.56 lakhs). Current year's export is expected to be still higher and would perhaps create a record in the history of sanitaryware exports. The

ompany has received for the hird year in succession the ward for outstanding export erformance from The Chemi- als & Allied Products Export Promotion Council, and a ational export award from he ministry of Commerce, government of India for out- tanding achievements in 974-75. The company's wholly-owned subsidiary, Soma Plumbing Fixtures Limited has ome out with a very limited ange of products (brass ittings) as per collaboration greement, but the quality has een highly appreciated.

Universal Cable

Universal Cable has declared taxable ordinary dividend of 20 per cent for the year ended March 1977. The gross profit has amounted to Rs 1.72 crores against Rs 1.82 crores n the previous year. Alloca- ions include Rs 23.73 lakhs (Rs 23.54 lakhs) for depreciation and Rs 83.50 lakhs (Rs 1.01 crores) for taxation. General reserve gets Rs 39.94 lakhs (Rs 57.32 lakhs).

Larsen & Toubro

In his annual statement to he shareholders, the chairman of Larsen and Toubro, Mr H. Holck-Larsen, has pointed out that the management is continuously scanning the horizon to identify new opportunities for growth and diversification. A number of schemes are under implementation which should ensure a sound future growth for the company. It has recently received an industrial licence for he manufacture of ultra high pressure vessels and heat treatment changers. These items will e manufactured in collaboration with Struthers Scientific nd International Corporation, USA at the Powai works. They will have applications in the fertiliser industry, in heavy water projects and in power plants and will constitute a major import substitution. A new model of the poclain hydraulic excavator has been introduced in the place of the present mode. In the current year, the company will start manufacture of a higher capacity excavator which will have wide application. The company's Bangalore works will also undertake the manufacture of self-propelled vibratory rollers in collaboration with Albaret of France to be used for soil compaction on earth-filled dams embankments and roads.

Bally Jute

In view of inadequacy of profits, the board of Bally Jute Company Ltd has decided to skip the equity dividend for the year ended March 1977

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against 10 per cent paid in the previous year. According to preliminary working figures, the profit has been affected by the acute shortage and exhorbitant price of raw jute combined with continued recession in demand for jute goods. Output of jute goods totalled 27,837 tonnes as against 32,022 tonnes in the previous year. Exports had also dropped to Rs 6.27 crores from Rs 6.54 crores. With a view to improving, the economic viability, the company proposed to undertake a programme for substantial modernisation and expansion with financial assistance from the IDBI. The company earned a lower gross profit of Rs 25.67 lakhs for the year compared to Rs 29.06 lakhs in the previous year. After providing Rs 24.68 lakhs against Rs 28.88 lakhs for depreciation and Rs 92,000 against nil for ivestment allowance reserve, the net profit was a meagre Rs 7,000 as against Rs 18,000. The entire surplus of Rs 7,000 against Rs 23.68 lakhs last year, had been transferred to general reserve.

New Issues

Ennore Foundries will issue on August 10, as many as 570,000 equity shares of Rs 10 each at a premium of Rs 3 per share. The issue is aimed at reducing the effective foreign shareholding from the present level of 75 per cent to 60 per cent and at the same time meeting a part of the cost of its Rs 2.24 crores expansion programme, raising the capacity to 21,500 tonnes of cast iron and aluminium castings per annum. The additional investment for expansion is relatively small. At present, British Leyland International holds 75 per cent of the company's issued capital and the balance is held by Ashok Leyland of Madras.

The company is a major jobbing foundry in India, manufacturing alloy iron and aluminium castings of the most complicated and intricate designs, especially required for the automotive, tractors and allied industries.

Davy Ashmore India Limited, a member of the Davy International group in the UK, is diluting its non-resident holding under the provisions of FERA by offering shares worth Rs 63 lakhs to the Indian public. After making allotment to the West Bengal Industrial Development Corporation and the company's directors, 483,000 equity shares of Rs 10 each and 15,000 redeemable cumulative perference shares (11 per cent) of Rs 100 each are being offered for public subscription at par. The share list will open on August 8. The issue is fully underwritten.

The new shares will be entitled to dividend which may be declared in respect of the financial year of issue in proportion to the amount paid up and 'pro rata' during the period of which such a capital is paid up. The proceeds of the issue will be utilised to establish a well equipped factory at Kharagpur in the notified backward district of Midnapore. The new project, to cost Rs 345 lakhs, represents the expansion programme of the company's equipment manufacturing division now operating from Calcutta.

Delta Paper Mills will enter the capital market shortly to raise Rs 78.40 lakhs in equity shares of Rs 10 each. The public issue is fully underwritten. The company proposes to set up a paper project in the joint sector near Bhimavaram, West Godavari district, Andhra Pradesh. The paper mill which will have an installed capacity of 9,500 tonnes per annum will manufacture various grades of writing paper based on rags, rice straw and waste paper cuttings.

Promoted by Mr Vijyakumar Raju, MLA, the company has entered into an agreement with the Andhra Pradesh Industrial Development Corporation for implementing the project in the joint sector. Substantial progress has already been achieved. The total outlay of Rs 408 lakhs will be met by share capital of Rs 160 lakhs and term loans of Rs 248 lakhs.

Jokai India will enter the market on August 8, with an issue of 524,993 equity shares of Rs 10 each at par. Besides, 125,000 share have been reserved for subscription by directors and employees of the company who are Indian nationals. The main object of the issue is to dilute the non-resident shareholding to 74 per cent in terms of the FERA. The company was formed in 1975 to acquire by way of amalgamation of the entire undertaking of the Jokai (Assam) Tea Co Ltd having 10 tea estates with a total bearing area of 3,775 hectares. Jokai (Assam) Tea Co's total sales increased from Rs 4.83 crores during the year ended March 1973 to Rs 8.95 crores in 1975-76 and the pre-tax profit from Rs 28 lakhs to Rs 1.94 crores. During the first nine months of the current year (April-December 1976), the turnover of Jokai India totalled Rs 11.13 crores, yielding a pre-tax profit of Rs 3.56 crores and a net profit of Rs 1.06 crores. According to Mr V.K. Chaudhri, managing director, sales during the year ended March 1977 were placed at Rs 13 crores. Production was 7.88 million kg in 1976-77. It is expected to be maintained in 1977. The company has already declared an interim dividend of 25 per cent for 1976-77. The new shares will rank for a pro-rata dividend on the amount paid-up for the current year ending March 1978.

Capital and Bonus Issues

Consent has been granted to the following companies to raise the capital:

Veeraraghava Textiles Private Limited has been accorded consent valid for six months, to capitalise Rs 600,000 out of its development rebate reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the proportion of one bonus share for two equity shares held.

West Bengal Industrial Development Corporation Ltd, a public company having a paid-up capital of Rs 343.40 lakhs, has been accorded consent for issue of 800 bonds of Rs 25,000 each, totalling Rs 200 lakhs (with the right to retain additional subscription up to 10 per cent of the notified amount) carrying interest @ 6.25 per cent per annum and redeemable after 1[illegible] years, for cash to the public at an issue price of Rs 98.85. The bonds shall be payable to registered holders only. The proceeds will be utilised for augmenting the resources of the corporation. The consent order is valid for 18 months only.

Diamond Shamrock (India) Limited Bombay, has been accorded consent, valid up to August 4, 1977, to the issue of 3,690 equity shares of Rs 10 each at a premium of Rs [illegible] per share to the existing Indian shareholders of the company on right basis.

Development of irrigation since independence

The vulnerability of our agriculture to the vagaries of the monsoon has made it imperative to accord irrigation a high place in national development plans. The Annual Report for 1976-77 of the department of Irrigation of the ministry of Agriculture and Irrigation details the progress made in creating irrigation potential since the Plan era began from which excerpts are given below.

NEARLY SEVENTY per cent of the people in India are dependent for their living on agriculture and allied sectors which account for about 47 per cent of the national income. With our fast-growing population dependent largely on agriculture and shrinking prospect of more virgin land being brought under the plough, the increase in agricultural production and gainful returns to those employed in agricultue depend almost wholly on improved agricutlture including multiple cropping, an essential element of which is the assured input of water.

Vagaries of Monsoon

However, most of the cultivated area in the country has still to depend on rainfall, which is unevenly distributed both in respect of time and space. Most of the rainfall is received during the monsoon period of three to four months. Again the rainfall pattern varies steeply from one region to another. The annual rainfall varies from over 250 cms in Assam, Himalayas, West Bengal and west coast to less than 15 cms to extreme west in Rajasthan. In peninsular India, it is less than 60 cms. Even in areas with high rainfall there is not adequate moisture in the soil which can support multiple cropping. If the monsoon fails, severe drought conditions result and economy tends to go awry. The vulnerability of India's agriculture owing to vagaries of the monsoon has made it imperative to accord irrigation a high place in national development plans.

Water Resources: India is endowed with sizeable water resources provided by numerous big and small rivers which traverse its length and breadth. The utilisable water resources have been estimated to be about 67 million ha. metres of surface water and 26.5 million ha. metres of ground water. This figure may however, increase with advancement of technology. However the land area that can ultimately be irrigated both from surface and groundwater sources would be limited to 107 million ha.; their contribution being 72 and 35 million hectares respectively.

Progress of Irrigation Development: The irrigation potential created during the pre-Plan period i.e. upto 1950-51 was 22.6 million ha. and was fully utilised. By the end of the fourth Plan, irrigation potential increased to 44.1 million ha. and utilisation to 42.2 million ha. By the end of 1975-76 the potential is estimated to have gone up to 47.6 million ha. and utilisation to 45.4 million ha. Table I gives the progress of development.

Prior to the commencement of planned development in 1951, the area under major and medium irrigation projects was only 9.7 million ha. As a result of execution of large number of major and medium irrigation projects in successive five-year Plans, there has been a steady increase in development of irrigation facilities. By the end of 1975-76, against the ultimate potential of 57 million ha. from major and medium irrigation schemes, a potential of 22.4 million ha. has been developed. There has been progressively greater allocation of funds for major and medium irrigation programme during

TABLE I

Irrigation Potential and Utilisation: 1973-74—1975-76.

(Million ha.)

Item	Ultimate potential	1973-74		1974-75		1975-76	
		Pot.	Utl.	Pot.	Utl.	Pot.	Utl.
1. Surface water	72	28.1	26.2	29.1	27.1	30.4	28.2
(a) Major & medium	57	20.6	18.7	21.4	19.4	22.4	20.2
(b) Minor	15	7.5	7.5	7.7	7.7	8.0	8.0
2. Ground water	35	16.0	16.0	16.6	16.6	17.2	17.2
Total	107	44.1	42.2	45.7	43.7	47.6	45.4

the successive Plans. Table II indicates the potential developed during various Plans and corresponding financial outlays.

Fifth Plan Programme: The final profile of the fifth five-year Plan was approved last year by the National Development Council. In view of the pressing need to further increase agricultural production, the pace of development of irrigation facilities is proposed to be stepped up during the current Plan period. The target is to create additional potential of 5.8 million ha. through major and medium irrigation schemes during the Plan period—a goal which is more than double the achievement during fourth Plan. Bulk of this potential (5.5 m. ha.) is to come from 230 on-going schemes, which have spilled over from earlier Plans. The balance 0.3 million ha. is anticipated from new schemes taken up during the Plan period.

For the programme, an outlay of Rs 3135 crores (including Rs 40 crores of EGS) has been provided under the Plan. Although the outlay is substantially more than the figure of Rs 2401 crores provided in the draft Plan, yet this too falls short of the requirement. As per latest assessment, it is estimated that funds to the tune of over Rs 3450 crores would be required to achieve the Plan targets.

TABLE II

Irrigation Outlays and Potential Created by Plans

Period	Outlay (Rs. crores)	Additional Irrigation potential created (m. ha.)
Pre-Plan	N.A.	9.7
1st Plan (1951-56)	376	2.5
2nd Plan (1956-61)	380	2.1
3rd Plan (1961-66)	576	2.3
Annual Plans (1966-69)	435.	1.5
4th Plan	1253	2.5
Total		20.6

Financial Constraints

During the first year of the fifth Plan it was not possible to provide adequate outlays for the programme due to acute financial constraints. As a result, the execution of projects, in many cases had to be done at a pace less than optimum. With an expenditure of Rs 385 crores it was possible to create an additional potential of 0.8 million ha.

For the achievement of the targets, detailed work programmes have been formulated for implementation. The year-wise financial and physical targets are given in Table III.

Emphasis has been on optimising the benefits from limited financial resources. Selected on-going projects are considered for step-up in their outlays to achieve the best results. However, in the last two years, equal attention would be necessary to step-up progress of other on-going works and also on certain new starts so that tempo already built up is not only maintained but stepped up in sixth Plan. Advance Plan assistance of Rs 55.80 crores was sanctioned by government of India to 12 states for 18 selected projects. As a result it was possible to create an overall additional potential of 1.03 million ha. during 1975-76, which almost equalled the target.

During 1976-77, efforts were made to further step-up the tempo of irrigation development. Detailed work programmes for all major schemes were drawn up and progress on key projects is being closely monitored by a Central Monitoring Unit set up in Central Water Commission. Assistance is being rendered to projects in providing necessary input and in removal of bottlenecks.

With a view to quicken the tempo of execution, additional funds to the tune of Rs 75.2 crores have been proposed to be provided for 24 major and 16 medium projects in 14 states, which would provide additional benefits to the extent

TABLE III

Financial and Physical Targets: 1975-76—1978-79

Year	Requirement of outlays (Rs. crores)	Additional potential to be created ('000 ha.)
1975-76	502	1037
1976-77 (anticipated)	697	1200
1977-78	940	1310
1978-79	941	1505
Total	3080	5052

Out of the above amount of Rs 75.2 crores, an advance Plan assistance of Rs 48.10 crores has been agreed to be given by the centre and the balance amount will have to be provided by the states themselves. The overall programme target for the year is 1.2 million ha. This is expected to be fully achieved. There has been significant progress with regard to execution of irrigation works during the year. Four major and 25 medium schemes were likely to be completed last year.

New Projects

To maintain continuity of irrigation development in sixth Plan and after, a start has been made on a number of new schemes in various states. Among these are project for modernisation of Periyar Channel in Tamil Nadu and Madhya Ganga and Parallel Lower Ganga Canals in Uttar Pradesh for extension of kharif irrigation in Ganga-Yamuna Doab. Other major schemes taken up include Jayakwadi Stage-II, Upper Wardha, Upper Penganga and Manjra in Maharashtra, Upper Kolab in Orissa and Ghataprabha Stage-III in Karnataka.

Further stepping-up of programme is proposed this year (1977-78), for which a target of 1.3 million ha. has been laid down. Recent discussions with state officers have revealed further rise in cost of many projects due to updating the estimates to current price level. As a result, the requirement of funds for 1977-78 for achieving the target is indicated as Rs 940 crores. Efforts have been made to provide the outlays to the desired extent in state plans.

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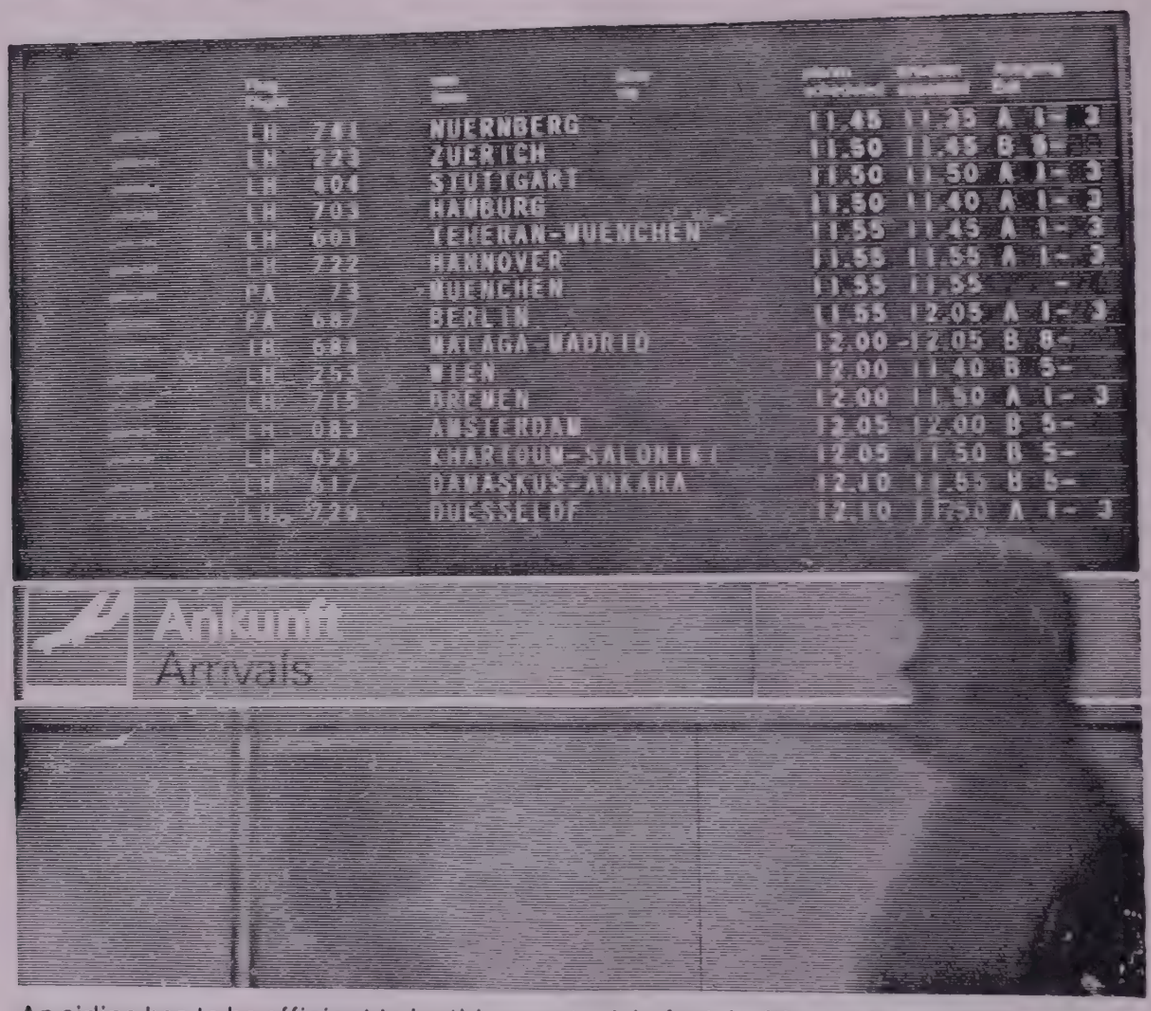
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Press and freedom

THE PRESS Institute of India is usefully exerting itself to help give a clear shape to the views of the press on a scheme for a new press council of India. It has already circulated a comprehensive questionnaire on the subject and also held a fruitful seminar in New Delhi last week. The aim of the seminar was to put together the main concepts on which general agreement could be reached. This necessarily meant that the minority views were an unavoidable casualty.

The setting up of a press council was recommended in 1954 by the Press Commission which favoured a statutory body. The Press Council of India Act, 1965 was passed in November of that year and a Press Council itself was constituted in July of the following year. The council had a chequered history, which need not be recounted here. It may be mentioned however that it was one of the casualties of the emergency (the wags at that time said that the Youth Congress urgently needed the premises of the press council for its own accommodation).

The current discussion about a new press council has its origin in an announcement made by the present minister for Information and Broadcasting in the Lok Sabha on April 6 that the Janata government would revive this body. He had also said that a bill would be introduced in the next session of Parliament (i.e., the current session).

The question that arises immediately is whether the government should act in a hurry. The basic question whether there should at all be a new press council needs to be discussed against the performance of the last press council, but this has not been done at all in any of the concerned quarters. On the contrary it has been automatically assumed both by the government and the press itself that because there was a press council and it had been wound up by the emergency regime, a new council should be set up to take its place. This clearly is an unscientific approach. It certainly remains to be discussed dispassionately whether our experience has really been such that it encourages the expectation that a press council is calculated to cultivate what after all must be our primary aim which is to enable and encourage the press to fulfil satisfactorily the right of the citizen to information. Here it is relevant to point out that because it is so easy for any group of self-appointed or otherwise appointed guardians of this cause or that to function more as a policing than as a promotional agency, the old press council had tended to function and a new press council is also likely to operate as a restraint on the duty of the press to inform or as an obstruction to the right of the public to be informed.

It is not necessary here to question the intentions, which may be worthy in themselves, it is certainly proper that a reasonable view must be taken of their most probable consequences, given the facts of the case. The old press council engaged itself chiefly in two areas, in addition to its spectacular exertions in a third which was the dispute which the former editor of the *Hindustan Times* had with its management or more particularly the chairman of its board of directors. One of those areas covered disputes between newspapers and state governments where the latter had been accused of resorting to unfair means of pressurising editorial policies or the reporting of news. In this area, the labours of that press council were not particularly rewarding. The other area was the disciplining of newspapers and periodicals the conduct of which was found to have fallen short of standards of journalistic ethics. Once again, the cost-benefit ratio had not been flattering to the press council. This was, in a sense, regrettable because its chief preoccupation had been with what it had evidently regarded as its principal obligation, viz , the propagation and protection of a code of conduct for the press.

Unqualified regret, however would be out of place since it is by no means certain that a system of regulation, seeking to enforce norms of conduct on the press would, on balance, improve the public's access to information on matters which relate to its

vital interests. In this connection, we have only to point to the notorious code of conduct which Mr V.C. Shukla—the Goebbels of the emergency regime—attempted to ram down the throat of a shackled press through his stooges in the All-India Newspaper Editors' Conference or elsewhere. That code provided for everything except the duty of the press to inform, or the right of the public to be informed. It was an insulting register of "don'ts" which no self-respecting journalist would have touched with a barge pole. It is amusing to note that the purpose of this code of conduct was also claimed to be the same as the purpose of the old press council, which was to enforce journalistic ethics. Our fear, to put it bluntly, is that, once a group of people is authorised or expected to pass moral judgments on any professional or other activity, the chances are that it will end up by curtailing directly or indirectly the freedom or the independence of the persons practising that profession or pursuing that activity and whose conduct it sets out to monitor or improve.

yellow journalism

The argument that the common man or even the average citizen needs to be protected from the excesses of yellow, pink or other unwholesome hues of journalism just does not wash. In the first place it is but rarely that the commercial or other interests of a newspaper or periodical prompt it to go to the trouble of libeling ordinary people. The targets usually are individuals or institutions who or which are worth slandering because the sensationalism helps to sell more copies or there is a purpose of financial, political or other blackmail to be served. Such victims are generally in a position to hit back through the law courts and if the plea is that legal redress is not easy to obtain, the short answer must be that the law must be suitably changed. In any case not even the most ardent protagonists of the old press council could claim that its disciplinary efforts had in any way curbed unacceptable journalism. There is, for instance, absolutely no evidence whatsoever that the circulations or incomes from various sources of certain Siamese twins in Bombay-based weekly journalism had suffered because of the growls or the groans of the old press council. To say more on this subject, however, would be wasting too much time on a lost cause since the press generally is determined to have a new press council and Mr Advani and his colleagues in the central government have resolved to oblige.

statutory body

There is also a consensus—blessed word that!—that a new press council should be a statutory body as the old press council was. Once again it may be futile to argue against that majority view, but there is an obligation on the part of the minority to point out that the case for a statutory body has not been proved but has merely been assumed. Is it true, after all, that, as is mechanically accepted by the conventional wisdom of the majority, that a statutory body will necessarily be more effective than a voluntary one? Here it is pertinent to point out that the majority view has conceded that the findings of a press council cannot be backed by legal sanctions but can only hope to have moral authority. A participant in the Press Institute seminar rightly and wryly pointed out that it was odd that it should be pleaded that a press council should have legal status although its findings would have to be content with moral sanctions.

The more pragmatic or business-like constituents of the majority have been arguing, although self-consciously, that a press council after all costs money and that the responsibility for providing it could be more firmly placed on the government if, in the first instance, the government has been persuaded to enact a law setting up that body. This contention is not conclusive. There is no earthly reason why some of the funding of the press council should not be a charge on the revenues of newspapers or periodicals which are constituents of a voluntary press council. The subscriptions could be fixed on a scale related to the circulations and advertisement and other revenues and these collections could be supplemented by annual grants from the government. Again if the press council is able to win public recognition as a body efficiently serving the cause of freedom of information, donations from the public could be expected.

Perhaps the real reason why the majority prefers the easy option of a statutory body to the more difficult alternative of voluntary body is that most of its number, whether consciously or unconciously, is afraid that neither newspapers and periodicals among themselves nor the various categories of press interests have a strong enough commonalty of outlook or purpose to come together in a press council and work it harmoniously. In other words, the majority shies at the concept of house discipline because it feels that the press is a house divided against itself. There may be a great deal of substance in its fears and anxieties, for divisiveness, factionalism, jealousies and rivalries do exist in the press generally. But then is it also not true that merely opting for a statutory press council does not automatically offer a way out of this difficult situation? As a matter of fact, the controversies over the nominations to the old press council which had been plaguing it ever since its inception, are proof enough that a statutory body imposed on the press by law may find it more difficult to secure spontaneous and genuine acceptance from the press as a whole than a voluntary body with its offer of a choice to take it or leave it.

realistic appraisal

Quite possibly, the majority's obsession with the need for a statutory press council or even simply a press council is a creature of its assumption that press freedom, independence of journalists or press ethics is a matter that cannot effectively be the concern of any of the existing organisations having to do with the press, such as the IENS, the AINEC and the various other professional or trade union organisations of journals or other press interests. This may be a realistic appraisal of things as they are at present, but should we give in to total despair? Rather, should it not be our aim to promote conditions in which these organisations would find it more to the purpose to concern themselves more and more with professional norms? It is clearly possible that once we accept the version that there should be a press council as a sole or even a special institution of journalistic purposes, norms and ideals, other organisations relating to the press may readily accept the detachment

m such concerns so conveniently pres-ped for them. In other words, the set-g up of a press council, instead of engthening the instruments for promot-the freedom of the press, the indepen-nce of journalists or the right to infor-tion of the public may well result in unting them.

Finally, going into details, the Press stitute seminar led to a majority favour-g for the office of the chairman a retired dge of the Supreme Court or a person alified to be appointed as a judge of the preme Court. It was however pointed t during discussion that this stipulation, effect, would lay down a minimum age alification of 62 years or thereabouts. he majority nevertheless was so impres-d with the importance of having a chair-an with a judicial temperament, training and approach that it was able to digest the absurdity of ruling out the appointment of a chairman in the age range of the later 40s or even the 50s. This is a pity consi-dering that age is on the whole against rather than for concepts such as freedom or independence in any sphere of human life or activity. There is also room for another disturbing thought. Is the majo-rity swearing by the judiciary for the chairmanship because it cannot trust some one from the press itself to be a proper chairman of the press council? Objectively, a journalist who has held responsible positions should be well-fitted to preside over a press council the primary objective of which should be to promote in the press a sense of responsibility and fair play in organising its own affairs as well as its relations with the wider world.

Animus against aluminium?

THE RELATIONS between the UP State Electricity Board and the Hindustan Alu-minium Co Ltd at Renukoot have un-ortunately come to be punctuated with ontroversies and confrontations. This as been clearly because of the unhealthy amifications of UP politics. Consequent-y it is futile for any minister or spokes-nan of the UP government to assume an ir of hurt innocence and charge the com-pany with attempting to make a political ssue of its present difficulties with the state electricity board. All that the present government in Lucknow may per-haps say in its defence is that Hindalco's power problems predate the assumption of office by the Janata administration. It will still have to explain, however, why it shoutd have taken upon itself to add to those difficulties. After all there is no denying the fact that the relations between the administration of the state and Hin-dalco have lately reached their nadir.

Mr C.B. Gupta has put his finger on the key issue. As he has pointed out, the issue is more serious than a difference of opinion between the state government and the company over how much power should be supplied to the latter by the state electricity board or at what rate this supply should be made. What matters is that production has been sharply dep-ressed and the working of the factory crippled. The immediate sufferers are the employees whose jobs are threatened and the shareholders whose investment faces erosion.

But the mischief does not end there. EC grade aluminium is a key material for electric cables and is therefore a basic requirement of power systems. To hinder its production is, even from the point of view of the state electricity board, a senseless act of cutting one's nose to spite one's face. Commercial grade aluminium is a basic raw material for a number of industries in the small-scale sector and a number of consumer goods of everyday use. Any development which leads to a shortage of this metal or a rise in its price is therefore not in the interest of the small man either as a producer or as a consumer. Indeed so important is alu-minium in the economy of the nation that, if the country does not produce enough of it, it has to import it. This is exactly what it has to do now. This is a shame and a disgrace considering that India has not only ample resources of bauxite which is a basic raw material for aluminium but also sufficient manufacturing facilities here and now not only to meet the domes-tic needs for aluminium but also the re-quirements of export.

This journal carried last week a comprehensive discussion of the various aspects of the present dispute between the state government and Hindalco. A con-clusion that is clearly indicated is that, given goodwill and an appreciation of the national importance of the aluminium industry, it should be possible for an agreement to be reached so that Hindalco could get back to full production with the state electricity board resuming supply of power to it on an adequate scale and at rates which are fair and reasonable, given the costs of power generation on the one hand and the power-intensive character of the manufacture of aluminium on the other. Mr C.B. Gupta has very appro-priately pointed out that, although the Hindalco controversy may seem to con-cern only one aluminium company and one state government, its implications are relevant to the entire Indian alumi-nium industry which has its units located in a number of states. It may therefore be useful to look at the problems of this industry also in its all-India perspective.

new importance

The aluminium industry has assumed new importance and it is perhaps one of the few industries which have been favour-ably affected by an increase in Plan out-lay and enlarged scope for export of finished products. It was only early last year that there were fears of an export-able surplus having to be continually tackled in the face of depressed world prices, necessitating even a subsidy for completing shipments of virgin metal. The output in 1975-76 of course constitut-ed an all-time record, exceeding 200,000 tonnes. However, there was idle capacity due to shortage of power. This level of production could not be easily absorbed and over 20,000 tonnes of metal had to be exported in order to relieve a glut of stocks.

The position now, however, is vastly different and even with the prospect of production being around 210,000 tonnes, which is lower than the production in 1976-77, it is now being seriously discussed,

how imports of about 20,000 tonnes can be arranged and large unexecuted orders for cables and other items completed. As there has been an increase in internal consumption with brisker implementation of rural electrification schemes and construction of transmission systems, and as the use of the light metal for industrial purposes also has improved, it is being examined how the installed capacity of the industry can be fully utilised. The import of metal is being attempted for overcoming temporary difficulty, but it does involve wasteful use of foreign exchange resources, especially when the landed cost of virgin metal exclusive of import duty is 40 per cent more than the ex-factory price of even commercial grade aluminium exclusive of excise duty. At the same time, it could be argued whether it will be desirable to utilise scarce power for stepping up output of aluminium when the same quantity of electricity can be used for increasing output of other commodities in short supply, which consume much smaller quantity for achieving larger value of production.

failure of planning

This dilemma will be acutely felt so long as there is continuing power shortage and the aluminium units are located in regions which are subjected to periodic restrictions on consumption by HT units. The difficulties have arisen because of failure to have perspective planning for development of power resources and adequate allocation of capacity for use by the power intensive industries. Indeed, it is somewhat ironic that the location of aluminium smelters was decided upon in the early sixties and later in Uttar Pradesh, Orissa and Karnataka for absorbing surplus power and enlarging capacity in a big way by using newly generated large blocks of power. The calculation in this regard has gone seriously wrong except in Kerala where power is available in abundance.

The southern region accounts for nearly 40 per cent of installed capacity in the whole country. Only the Alluparam unit in Kerala is working to its full capacity while the Belgaum smelter has been unable to use its new potlines fully. It has not also been possible to proceed with the plans for raising capacity to 100,000 tonne as it is not known what will be the availability of power even with the advent of the Kalinadhi project and on what basis the Karnataka government will be prepared to supply the requirements of the Belgaum unit. The Mettur unit in Tamil Nadu is yet to reach its capacity of 25,000 tonnes and output has had to be curtailed because of severe power cut. It is only latterly that full production has been attempted with no constraint on the use of electricity. It cannot however be expected that the situation will continue to be favourable though with the prospect of a satisfactory south-west mansoon and a sizable exportable surplus of Kerala, fresh cuts in the use of power can be avoided.

It is however important that the Belgaum unit is given the greatest assistance as it is very conveniently placed in all respects and can account for an output of 60,000 tonnes annually under optimum conditions. Even now it can be examined how the cut can be partially relaxed with the supply of larger blocks of Kerala power through Tamil Nadu to Karnataka. The state government in the latter region, however, may not find it easy to take a decision in this regard immediately, as it has a deficit of over 3000 millon units with Sharavathi and other sources accounting for an annual generation of only 5,000 million units.

The scene may change for the better by this time next year with the construction of a transmission line directly from the Idukki project to Karnataka. There will no longer be dependence on Tamil Nadu for routing power supply. Kerala may be in a position to export 750 million units annually to Karnataka after meeting the requirements of Tamil Nadu. The Kalinadhi project also will be going on stream in the latter half of this year. It may be possible to relax restrictions on power consumption significantly. It will be advisable however to expedite work on the Kalinadhi project by pumping in additional resources and making special arrangements for hastening construction work in different sectors.. If two or three units can be put into operation before the end of 1979 the whole picture will change remarkably.

Since Karnataka and Andhra Pradesh have large untapped idle potential and the cost of power generation can be kept down only with development of idle sources, it has to be decided without delay how the Srisailam and Kalinadhi projects

Eastern Economist 30 Years Ago

AUGUST 8, 1947

The drastic measures proposed by Mr Attlee to meet Britain's dollar shortage and internal economic crisis are a measure atonce of the gravity of the problems with which she is confronted, as well as of her willingness to undergo any amount of sacrifice to recover her economic balance. Internally her difficulty flows from labour's unwillingness to work beyond a forty-hour week, which under present coditions is insufficient to bring about sufficient output. Coal is the outstanding case where a five-day week has limited the output thereby holding at bay the rest of the economy. British trade unions have now become so powerful that unless they develop a high sense of national interest they are likely to hinder economic recovery. Even under the present crisis, Mr Attlee could not recommend a general increase in the working week, but had to be content with a small increase in the working hours in the coal industry. If the Labour Government could not effect alteration in the working hours, most assuredly conservatives cannot, and that is why there is no alternative to the Labour Government in Britain. Mr Attlee is perfectly right in his claim that the problems would be just the same under any government, they cannot be solved by a coalition government nor a conservative government as such.

can be brought to fruition earlier than scheduled and the potential of Nagarjunasagar project also fully exploited. The exportable surplus of Andhra Pradesh and Kerala will come in handy and it will be possible for the Belgaum smelter to achieve its objective of creating capacity of 100,000 tonnes in the next two or three years.

These are only short term goals. The power resources of the southern region, hydel and thermal, have to be developed in a big way and international aid may even be sought for new hydel projects in Karnataka and super thermal stations in Andhra Pradesh and Orissa. The eastern coastal belt has vast resources of rich bauxite and it has been estimated that even one million tonnes of metal can be produced for internal consumption and exports. There are immediately proposals for exploiting these bauxite reserves for producing alumina and exporting it to Iran and other countries for producing aluminium as power can be easily generated in these regions even by using oil. The availability of power in Andhra Pradesh and Orissa can be augmented as super thermal stations can be constructed at pitheads. A thermal capacity of 3,000 mw can be easily created in six to eight years with proper planning, even while the hydel projects are being implemented. The required physical resources are available. Only matching rupees have got to be found and these can be indirectly secured by negotiating for foreign aid for use in other directions.

difficulties of Renukoot

While the immediate and long term needs of the aluminium industry in the southern region have to be tackled with imagination, it has also to be explored how the difficulties of Renukoot smelter in UP can be reduced to maximise its production. Fortunately this unit is planning to augment capacity of its captive generating station. With a helpful attitude on the part of the UP Electricity Board the objective of creating capacity for 120,000 tonnes can be realised.

In Madhya Pradesh, the new unit at Korba has been progressing well and the second potline can be put into operation with the necessary allocation in the coming months. But the remaining two potlines also have to be brought into being without delay. With abundant coal and water resources in the region, there is no reason why new generating capacity cannot be created in a big way. The future for aluminium is bright but the metallurgical industries can progress only with an intelligent planning for power generation and a helpful approach when tackling issues relating to price fixation and the elimination of losses incurred by the state electricity boards when supplying power in bulk on a subsidised basis.

Better trade with east Europe

THE RECENT trends in India's trade with the countries of east Europe give cause for some concern. At the seminar, jointly sponsored by the Indian Institute of Foreign Trade and the State Trading Corporation in New Delhi on July 24 and 25, it was revealed that India's share in east European imports declined from 1.29 per cent in 1970 to 1.05 per cent in 1974 and 0.84 per cent in 1975. India's share in east European exports had increased from 1.02 per cent in 1970 to 1.29 per cent in 1974 but fell to 0.90 per cent in 1975. It is significant that India's share has declined in the import trade of most of the countries of this region. In the case of the USSR, the fall was from 2.31 per cent in 1970 to 1.38 per cent in 1975, Romania from 0.89 per cent to 0.75 per cent, Bulgaria from 0.53 per cent to 0.49 per cent, Czechoslovakia from 0.98 per cent to 0.45 per cent, GDR from 0.61 per cent to 0.31 per cent and Hungary from 0.71 per cent to 0.25 per cent. There is therefore an imperative need for the state trading agencies and the private sector to make more energetic efforts to sell their products to the countries of east Europe.

Dr P.C. Alexander, secretary of the union Commerce ministry, told the seminar that trade with east Europe had helped India to increase and diversify her exports and to introduce several non-traditional products. He disclosed that India and Hungary had decided to terminate rupee trade from next year. He added that the existing pattern of trade with other countries of east Europe would be constantly and carefully reviewed and modifications would be made on a pragmatic basis and in the mutual interest of both the partners. Meanwhile, there is need for more intensive efforts to promote the export of non-traditional items.

discernible shift

A paper contributed to the seminar by the State Trading Corporation observed: "There has been a discernible shift towards more exports of non-traditional goods to east Europe in the recent past as well as in the form of intentions in the future. The goods that are demanded more and more are: earth-moving machinery, machine tools, scientific instruments, textile machinery, railway wagons, hand and small tools, automobile parts, sewing machines, builders' hardware, storage batteries and garage equipment. More recent additions to the list of new manufactures are: fine chemicals, basic chemicals, pharmaceuticals, soaps and detergents, cosmetics, processed foods, fruit juices, readymade garments, footwear and woollen garments. The gradual shift from primary commodities to light and medium engineering goods, then to chemicals and to consumer goods proves the capability of the Indian manufacturers to push their way into the east European markets."

But the STC should indicate what has been the trend in the export of these products to the countries of east Europe and whether the latter have become regular buyers of such goods. Indian exporters have often complained that the state trading organisations of east Europe do not place orders with Indian manufacturers on a regular basis, which upsets their programmes of production. New Delhi therefore should draw up the trade plans on a more realistic basis and provide for the

larger export of non-traditional items. At the same time, care should be taken to augment their production substantially so that more exports to east Europe will not affect their flow to the countries which pay us in free foreign exchange. The STC's paper has suggested that an attempt should be made to identify the goods which are produced in India but imported by the east European countries from west Europe and other developed countries in free foreign exchange. It seems surprising that such an exercise has not been undertaken much earlier. One of the major objectives of setting up the STC was to develop trade with east Europe and therefore this aspect should have engaged its attention from its inception.

Dr Alexander suggested that in the coming months India would try to promote exports with east Europe by encouraging production cooperation, conversion deals and joint ventures in third countries. There is, of course, considerable scope in all these directions. But the implementation of such schemes will not be easy. New Delhi has been trying to encourage collaboration in this manner with several western countries also but these attempts do not seem to have met with much success. The British industrial cooperation mission which visited India in last November said in its report: "We doubt if our friends in India fully appreciate the great practical problems and the high risk element involved in international consortia undertaking large-scale construction in third countries and during our tour, we tried to make these difficulties and risks as clear as possible". The report referred to "the serious communication problems in the matter of promoting Indo-British cooperation through joint ventures". It said that Indian companies were keen to know which British companies were interested in which contracts and this problem was described as "a particularly difficult one since common business prudence necessitates strict confidentiality about interest in potential contracts until they are actually concluded". If participation in joint ventures is so difficult even with Britain, it should be much more so with east European countries with which our communication gap is more acute and substantial. Nevertheless, every effort should be made to develop our trade with east Europe through joint ventures and similar methods.

East European countries had complained in the past that they were not able to sell their goods to India due to her restrictive import policy. Now that this policy has been liberalised, it should be possible for them to explore the scope for augmenting their exports to India. Our requirements of raw materials, machinery and components have increased, and will continue to increase in the coming months. So, if the east European countries can offer us what we want at competitive prices, there is no reason why they cannot step up their sales to India.

The seminar made several recommendations for promoting trade such as effective participation in fairs and exhibitions, ensuring regular flow of commercial intelligence, improving our credibility gap in these countries, exchanging delegations and intensifying our publicity. The fact that such proposals have been made before does not make them less relevant at present. Dr Alexander has disclosed that the government of India has decided to organise an exhibition in Moscow next year—the biggest ever to be held outside our country—at a cost of about Rs 3 crores. The Commerce ministry should organise the exhibition with great care and imagination so that it helps to improve India's image not only in east Europe but also in the rest of the world.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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Indira Gandhi and Eastern Economist

WITH THE government of the day tending to be more and more autocratic, arbitrary and high-handed, the role of the judiciary as the upholder of the rule of law and the custodian of the constitutional freedom and rights of individuals and voluntary associations has become extremely significant in the India of today. New and yet newer "economic crimes" are being continually added to the political calendar in accordance with the whims and fancies of men (and women) in power. One consequence of this is that a number of "political minorities" is being created and these minorities are clearly in need of protection which only the courts can give. It is, therefore, essential indeed that nothing should be permitted to happen which could interfere with or otherwise prejudice the functioning of the judiciary. It follows that there is a compelling obligation on the part of the elected representatives of the people, whether in the state legislatures or in parliament, to discourage and disallow any attempt that may be made by the executive to bypass the judiciary, especially in matters involving the safeguards provided in the Constitution for the individual *vis-a-vis* the state.

* *

One of the more frightening aspects of the prime minister's self-chosen style of government is the open attempt made by her or on her behalf to manage news and views. One of the first acts of Mrs Gandhi, after summarily relieving Mr Morarji Desai of the Finance portfolio, was to contact personally the leading lights of the local press and attempt to sell to the editors, or other journalists concerned her version of the affair. Leaving aside the *Patriot*, and also Mrs Gandhi's house organ which need not be named, there was, however, only one leading English language daily which could be persuaded to buy her story. Indeed, if there was a silver lining to the cloud, it was that the press as a whole preferred to exercise its own judgment in dealing with the Desai episode. Even *The Hindu*, which is not often heard to utter an unkind word about the powers that be, was not quite able to see things as Mrs Gandhi would have them be seen.

* *

The resources of the government, however, are vast, even if not exactly unlimited and in All India Radio, which is currently being widely described, not without justification, as All Indira Radio, the establishment has a ready and willing tool. The "Spotlight" on political developments which was broadcast on July 16 was, nevertheless, far too disgraceful a performance even for a government-owned and government-run radio to put up. The script was attributed to an official of AIR (who, incidentally, had functioned previously as an Information Officer attached to the Finance ministry). In this broadcast, immense pains were taken to maintain the position that Mrs Gandhi's action in taking over the Finance portfolio did not involve the issue of the prime minister's confidence in Mr Desai. It must be said in fairness to Mrs Gandhi that she herself has, at no time, entered this particular plea. On the contrary, she has bluntly and even brutally stated that she has assumed direct responsibility for the Finance portfolio because Mr Desai does not enjoy her confidence where the effective implementation of accepted Congress policies with regard to their direction or pace is concerned.

From "The Moving Finger Writes" which appeared in the issue of August 1, 1969.

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This point had been made quite clear in the letter which Mrs Gandhi wrote to Mr Desai on July 16—the date of the broadcast in question—informing him that he was being relieved of the Finance portfolio and the contents of this letter were certainly known in a general way to newsmen in the capital on that very day. In the circumstances, the AIR broadcast was not only a case of special pleading but it was also a case of a limb of a ministry of the central government deliberately trying to mislead public opinion in an attempt to take sides with regard to a conflict in the cabinet. It should be borne in mind that, at the time this broadcast was made, Mr Desai was still the deputy prime minister and had, therefore, a right to be spared the injustice of partisan behaviour by an agency of the central government. One of the charges made against the de Gaulle regime in the phase of its decline and decay was that it was unscrupulous in its misuse of the media of communication, particularly government-controlled radio and television. It is a measure of the pitiful permissiveness of our people that it is almost being taken for granted that All India Radio may not only be a mouthpiece of the central government but could also function cheerfully as the propagandist of the man (or the woman) of the day.

* *

The frightening extent to which opportunism and sycophancy is taking hold of officials in the government is illustrated also by the behaviour of the Television Unit which is an appendage of the New Delhi station of All India Radio. Although this TV set-up has still to cut its teeth, it has already shown itself to be wise in the ways of the world. Mr Lokanath Misra complained in the Rajya Sabha the other day that the news bulletin on the local TV on July 22 thoughtfully carried a report of the laudatory references to Mr V.V. Giri made in the Rajya Sabha, but omitted to take note similarly of the tribute paid to Mr Sanjiva Reddy in the Lok Sabha. I wonder whether Mr Misra is aware of the fact that this is not the first time that this TV unit has shown that it knows only too well on which side its bread is buttered. On a previous occasion, in a news bulletin dealing with Mr Desai's visit to West Germany as well as Mr Dinesh Singh's presence in Cairo, Delhi TV chose to disiniss the deputy prime minister (as Mr Desai then was) with a notice so brief as to be almost curt, while displaying no such parsimony of time or words in taking tender care of Mr Dinesh Singh's publicity needs. But then it is not for nothing that Mr Inder Gujral has been introduced into the ministry of Information and Broadcasting.

(*Extracts from the column by V.B.*)

CAPITAL'S CORRIDORS

R.C. Ummat

Employment plan • Rajya Sabha amendments to budget proposals • Exports vs domestic consumption • Rupee trade

THE D'SCLOSURE by the prime minister, Mr Morarji Desai, in the Lok Sabha last week, during a discussion on the unemployment problem raised by Mr Jyotirmoy Bosu (CPI-M) and Mr C. K. Chandrappan (CPI), that he had directed the Planning Commission to prepare by the end of next February a programme to eradicate unemployment in the country within the next ten years, is an indication of the fact that along with the thought being bestowed on the other pressing problem of the day, namely, the rise in prices, the Janata government has taken up in right earnest the task of giving concrete shape to the promises made at the time of the last Lok Sabha election. The Planning Commission, Mr Desai said, had already started work in this regard. He assured the House that the government would try to see that those who had no work were given some work. The work offered might not be the work which the unemployed would like to have if given a choice, but some work which would be productive.

no doles

The prime minister rejected the suggestion of giving doles to the unemployed. Such a course, he stressed, was not only not possible for it would cost the public exchequer such a staggering sum as Rs 4,000 crores per annum, but was also not desirable as it would create the tendency among those who receive the doles not to work.

The prime minister emphasised that the problem of unemployment in the rural areas was vastly different from that of the educated unemployed in the cities. In the rural areas, people got work only for short durations; in most cases, for not more than a period of six months. There was, therefore, considerable under-employment in the countryside. Such a problem, he opined, could be tackled only through encouraging the establishment of cottage and rural industries.

fostering small industry

Mr Desai indicated that some of the projects to be taken up in the programme being drawn up at present by the Planning Commission would be related to fostering small, cottage and rural industries, particularly in the field of consumer goods manufacture. This will not only help in mitigating the rigours of unemployment but also in tackling the problem of inflation.

The prime minister pointed out that the proposal that the right to work should be enshrined in the Constitution immediately could not be accepted, as it was unrealistic in the prevailing circumstances. The country, of course, he added, had to work for attaining full employment.

Mr Desai admitted that the solution to the unemployment problem was not an easy one. He conceded that the previous government also had tried to tackle this issue, but stressed that all their schemes were confined to paper and hardly any field work had been done or undertaken. His government, on the other hand, he assured, would formulate plans which could be implemented and the efficacy of which could be recognised by all.

The prime minister called upon the opposition benches that they should lend their full support to ... problem. It was not a matter in which politics should come in, he stressed. He wanted ideological considerations to be kept out in devising ways and means of tackling the gigantic problem.

Mr Desai assured the House that the education system in the country was proposed to be modified with a view to containing the problem of unemployment amongst the educated.

* *

Heavily outnumbered in the upper house where it has only 41 members as against 151 of the Congrees, 11 of the CPI and 10 of the All-India ADMK, the main opposition parties, the Janata government faced a very embarrassing situation last week when the Finance Bill seeking to give effect to this year's budget proposals of the Finance minister, Mr H.M. Patel, was put to vote. It could be carried only with the following amendments forced by the opposition through division:

(i) the deletion of clause 13 which provides that capital gains on the transfer of capital assets would not be charged in certain cases;

(ii) insertion of an amendment in clause 15 to provide that an amalgamating company absorbs in full the staff and labour of the amalgamated sick unit;

(iii) the deletion of clauses 20 and 21 relating to the exemption of closely held companies from paying dividends;

(iv) amendment of the third schedule of the bill so as to exempt bidis from excise duty; and

(v) deletion of clause 3 in the bill amending section 2 of the Income-Tax Act.

Some of the above amendments were not only pressed by the Congress, the CPI, and the other opposition groups but also by the CPI(M) with which the Janata party had an electoral alliance in the Lok Sabha poll.

The modification of the Finance Bill in the Rajya Sabha, of course, cannot have any repercussions on the stability of the Janata government at the centre, for in the matter of money bills, the opinion of this House is purely recommendatory. Its recommendations can have effect only if

the lower house accepts them. In the past too, there have been two occasions on which the Rajya Sabha amended the Finance Bill, but only once one of its recommendations was accepted by the Lok Sabha.

The modified Finance Bill for the current year now goes before the lower house for reconsideration. It remains to be seen whether any of the amendments made by the Rajya Sabha would be accepted by the Lok Sabha. If the Lok Sabha does not agree with the Rajya Sabha, the bill will be directly sent to the President for approval unlike the non-money bills in the case of which such a tangle is resolved ultimately only through a joint session of the two houses.

* *

The minister for Commerce, Mr Mohan Dharia, reiterated in the Lok Sabha last week that the present government would not starve the domestic consumer in a bid to earn foreign exchange. He revealed that the exports of groundnut oil, groundnuts, edible oils, pulses, vegetables and potatoes had already been banned and those of onions were being regulated with a view to bringing down the prices of these items in the domestic market. This has had the desired result at least to some extent.

Mr Dharia also indicated that the scope of the above policy would be extended to certain industrial goods if the situation warranted. But in this connection, the government would take a balanced view of the country's domestic requirements and the need to promote exports to become self-reliant. The old policy of exporting goods required for common consumption, he declared, would not be allowed in the future.

Another important indication of the government policy given by Mr Dharia was in respect of middlemen's role in the export sector. He observed that the government would like to strengthen the cooperative structure and such organisations as the National Agricultural Cooperative Marketing Federation which purchased directly agricultural produce from the farmers for export.

Referring to assistance to exporters from the marketing development fund, Mr Dharia expressed the view that it was impossible to extend this assistance to individuals. The assistance would be provided to associations of exporters.

The Commerce minister also disclosed that he had issued instructions that the delegations going abroad for trade promotion should henceforth not be overloaded with the representatives of monopoly and large export houses. Due representation should be given on them to the small-scale units.

Mr Dharia assured the house that the government would extend all necessary assistance for the exports of bidis and lac. The ban on exports of jaggery, he thought, could not be lifted at present because the prices of this commodity were still ruling high. He, of course, promised to look into the heavy accumulation of stocks of jaggery with small producers.

The Commerce minister stressed that the present government believes in having economic and trade relations with all countries. But this had to be balanced with certain aspects of the country's foreign policy. He referred in this regard to the resumption of trade with China after a period of 15 years when recently some exports of lac and antimony had been allowed to this country. Efforts, he added, were being made to promote trade relations with Vietnam. A large Indian exhibition was also proposed to be organised in Moscow next year to promote trade relations with east European countries.

export of handlooms

About handloom exports, Mr Dharia stated that after discussions recently, the US authorities had agreed to lift the ban on imports of handloom garments from India. Similarly, discussions were being held with the European Economic Community. The government was also trying to explore new markets for Indian handlooms and other garments.

In view of the surplus production of rubber expected this year, the government, Mr Dharia announced, had decided to export 10,000 tonnes of this commodity. The question of rising the minimum price of rubber, he revealed, was being considered by the cabinet. A decision on this could be expected in the near future.

He assured the House that while fixing the minimum price, the interests of producers and all others concerned would be taken into account. The government decision would not be influenced by any one section.

As the international prices of rubber were low, Mr Dharia added, exports may have to be subsidised. The Rubber Board would try to purchase as much rubber as possible to protect the interests of growers.

* *

Indications are available about the system of bilateral trade with the east European countries giving way in the near future to the multilateral system.

The rupee payment pattern has already been changed in respect of our trade with Yugoslavia, Sudan, Egypt and Bangla Desh. It is continuing with the east European countries. But the changing nature of our trade with this region is expected to necessitate an adjustment in the pattern.

Currently, the rupee trade agreement with Hungary is stated to be under review. The trade with that country may be switched over to the convertible currency system from the next year onwards.

Announcement

M/s. Saurabh Pustak Bhandar, Ahmedabad, have been appointed as one of our Subscription Agents.

Necessary enquiries may please be made to :-

Saurabh Pustak Bhandar

615, Relief Road, First Floor,
Near Calicodome,
AHMEDABAD-380 001
Phone No. 31230

Inflationary implications of the central budget

Prof. C.N. Vakil & Dr P. R. Brahmananda

In this note sent to the prime minister, Prof. C.N. Vakil and Dr Brahmananda have assessed the real deficit in the central budget at over Rs 1,700 crores and have expressed the view that a strict anti-inflation offensive has therefore become all the more essential.

THE COUNTRY expected the announcement of a package of strong anti-inflationary policy measures at the time of the presentation of the budget. Three months have lapsed since the new government has come to power. The government's political strength to take hard decisions, even temporarily unpopular, in matters of economic policy has increased, particularly on account of the sweeping victory of the party in power in the recent hustings for the state assemblies, just prior to the budget, which was postponed to create an opportunity for the government to initiate immediately a determined and stern set of measures to halt inflation and to reverse prices.

the package

Any package of anti-inflationary measures should have legitimately included, by universal expert opinion, the following-

(i) A sizable surplus budget taking into account the excess of government's non-inflationary sources of receipts (on revenue and capital accounts) over government's disbursements (on revenue and capital accounts);

(ii) A restrictionist tack in fiscal and monetary policy and other measures so as to keep down the pace of private expenditures on investment and consumption;

(iii) A promotional angle in respect of development of savings of households, household-firms, companies and institutions.

In order toachieve a budget surplus, the authorities could have (a) refrained from giving reliefs and oncessions, (b) reduced government's expenditure commitments for 1977-78, (c) raised more of resources through additional taxation, larger non-tax revenues, and non-inflationary sources of borrowing. The FULLMANGAL memorandum had outlined ways of achieving a budget surplus. We are sad to find that the budget for 1977-78 contains an overt plus covert deficit, on revenue and capital accounts, of the order of about Rs 1,700 crores, a deficit which threatens to add substantially to the monetary resources of the community during 1977-78. Total disbursements including for Defence are larger for 1977-78 by Rs 2317 crores (10 per cent higher at current prices though slightly less at constant

POINT OF VIEW

prices) as compared to the revised of 1976-77. A fair amount of reliefs and concessions, unqualified with respect to redeployment of released funds in savings, has been given. Additional taxation, if we exclude the receipts due to withdrawal of the concession to the industries to deposit five per cent income-tax surcharge to the Industrial Development Bank, is a small amount of about Rs 100 crores. Since the authorities would be giving a larger amount of loans through the IDBI to industries, the withdrawal of the concession adds to the loan commitments of the authorities for 1977-78 directly or indirectly.

The estimate of a total deficit of Rs 1,726 crores for 1977-78 is made up as follows: (1) Rs 179 crores from the increase in borrowing from provident funds, whose financial resources have been augmented, through transfers from the Reserve Bank, of previously immobilised financial funds, (2) Rs 130 crores of borrowing from the Reserve Bank against compulsory deposits which accrued during the early part of this year, (3) Rs 500 crores, representing estimated share of contribution from commercial banks and the Reserve Bank out of the Rs 1,000 crores of net 'market' borrowing, (4) Rs 45 crores of withdrawal from US rupee balances deposited with the government of India, (5) Rs 800 crores of special borrowing from the Reserve Bank against foreign exchange reserves, and (6) Rs 72 crores of addition to ad hoc treasury bills.

borrowing from RBI

We do not share the view that Rs 800 crores of borrowing from the Reserve Bank against exchange reserves will not lead to any increase in monetary resources at home. This is because: (1) The Plan outlays for 1977-78 do not appear to require the above order of exchange reserves, (2) Imports of grains, of oils, equipments etc through public agencies or through private channels involving exchange would have already been provided in normal exchange accruals during 1977-78 through exports and receipts of invisibles, (3) Since extra foreign exchange disbursements for purchases abroad to the extent of Rs 800 crores may not *pro tanto* occur, it is possible that rupee expenditures will occur in the domestic sector either directly by the public sector or indirectly, through the private sector. Supplies of monetary resources will expand without there being *ipso facto* a running down of counterpart exchange reserves of Rs 800 crores. Part of the exchage reserves of the country will thus get activised as money in the domestic sctor *a second time* and perhaps eventually more than two times! May we point out in the final fifth Plan document Rs 600 crores was provided as additional exchange offset to meet the exchange gap over the

at the expenditure side of the budget there is no evidence that the exchange need of this year's Plan expenditure has gone up by so much as to involve an additional amount on the part of the public sector of Rs 800 crores. There was a sizable deficit in rupee resources for the 1977-78 budget; that Rs 800 crores will be borrowed against exchange reserves does not imply necessarily that the additional command over rupees will be re-exchanged for foreign exchange.

It is therefore our submission to you that the overall deficit of above Rs 1,700 crores will lead to a substantial expansion of money supply at home. To the extent that the currency component of this gets into banks, there will be a further bout of expansion of money supply through the money multiplier. The total expansion-potential in money supply of the deficit is more than Rs 2,000 crores. Since a large deficit augments the lendable resources of banks to the commercial sector, there will be sizable expansion in credit to the commercial sector during 1977-78. The unfolding monetary and price implications of all this are terrible to contemplate.

net bank credit

Between end March of this year and end May, i.e. a time-span of only 2 months, net bank credit to the government sector has expanded from Rs 11,019 crores to Rs12,286 crores, a rate of increase of 11.5 per cent in two months; bank credit to the commercial sector has increased from Rs 16,325 crores to Rs 16,426 crores; overall bank credit to public and private sectors has increased from Rs 27,344 crores to Rs 28,712 crores, connoting a rate of increase of about five per cent within a period of 2 months. Money supply has increased from Rs 15,156 crores to Rs 15,738 crores, a rate of increase of about 3.8 per cent within the two months period. We would like to point out that the past experience has been that the net bank credit to the government sector has no tendency to go *down* during the rest of the year, nor does the level of bank credit too go down, except marginally, during the rest of the year. There is a view that the increase in government borrowing in the initial months of 1977-78 is due to the lagged effect of the spill-over of last year's scheduled expenditures. There is thus a great danger that the overall credit and money supply levels would continue to mount up during the rest of the year since the full impact of the government's budget for 1977-78 will be reflected only hereafter.

expansionist bias

The fiscal policy envisaged in the budget appears to have been definitely governed by an expansionist bias also in so far as private investment and consumption expenditures are concerned: (i) The extent of additional taxation is, on the net, meagre. (ii) The reliefs and allowances which augment the spendable resources of individuals, firms and companies are several. (iii) In view of the rise in prices and money incomes, the impact of the additional excises will be negligible on real consumption. (iv) Since monetary-cum-credit policy has been switched over to an expansionist bias particularly in view of the selective reduction in interest-rates, there is reason to expect overall expenditure-flows by the private sector to move up.

In our view the authorities do not appear to have carefully examined the serious implications of the process of reduction in interest rates, which though initially selective may soon get generalised. Deficiency of nominal funds, and the terms at which such funds were available have *not* been the bottleneck factor for the stimulation of new investments in the private sector; this has been amply borne out by past experience. The reduction in interest rates has the effect of reducing the proportion of command over public financial liquid resources, which the banks can mobilize. The inflow of funds to the banks in the form of growth of time-deposits is adversely affected by the reduction in interest rates on deposits since time-deposits have been proved to be interest-elastic certainly in this country but also everywhere. Prices have been rising in the past; in view of the high rate of monetary expansion during 1976-77 unparalleled in India's economic history since Independence, strong expectations have been formed in business circles that prices are expected to rise in the future. Until a strong anti-inflationery package is announced by the government, and vigorously put through, the inflationary expectation will not be reversed. Under the existing situation the reduction in interest rates will help only to strengthen the forces of commodity-speculation. Lower interest means acceleration in the price trends; hence, it pays firms and companies to hold larger inventories than would have been the case otherwise. Since overall stocks of goods are limited, a tendency to hold more of inventories and to hold them for longer period, would imply that firms which do not have access to finance, will have to go without inventories. It is the small sized firms, the unorganised firms, which are adversely affected in the process.

important factor

Another factor, which is important is that it is not at all possible to verify to what purposes loans from banks are utilized by borrowing parties. It is commonsense that when borrowing parties obtain funds from several sources including from banks and use the funds for various purposes, it is futile to direct through qualitative and selective controls, the end-use of funds. Even in such a developed country as the United States, the federal system gave up the reliance on qualitative controls long ago. It is a well agreed fact that under conditions of past and expected inflation, the powerful instruments of credit policy are general weapons like quantitative restrictions on credit and steep hikes in interest rates; both short and long term rates should tend to go up.

The bifurcations of savings accounts which the authorities are trying to bring about is a source of great confusion and causes unavoidable inconvenience to both banks and clients. Savings accounts have been a very popular media through which individuals and small firms are keeping their liquid resources. The small interest which they have hitherto obtained has been a great source of incentive since current deposits do not earn any interest. It is through the development of savings accounts that a considerable portion of

deposit mobilization has been occuring. A careful scrutiny will indicate that the total number of cheques per year issued by parties on their savings accounts are not very large. Current accounts are largely kept by companies and big firms whereas households and small firms prefer the savings accounts. Under Indian conditions there is a good case for interest on current account as well, as this will tend to attract funds to banks and to discourage their frequent turnover. (In fact on the European continent interest on current accounts is quite common though not in the UK).

The interest on savings accounts has been a convenient bait under Indian conditions to attract financial resources and to promote development of banking. A perusal of the letters to leading newspapers in cities like Bombay, Delhi, Calcutta, Bangalore and Madras will indicate abundantly how adverse has been the public reaction to the interest policy of the authorities. Since there are no overall gains from this new policy, whereas on the other hand it is a big contributory factor to the strengthening of the inflationery process, is it not advisable that we immediately return to the *status quo ante* in regard to the interest policy before the new changes came about? The argument that a reduction in short-term deposit rates was necessary to increase the incentive on long-term deposits is perverse. The question here is as to whether this objective could not have been achieved by raising *both* the rates, the long-term deposits slightly more than that of short-term deposits. After returning to the *status quo ante*, we should consider moving up the rates.

current impression

Since the advent of the new credit policy and the offer of the various concessions in the budget, a feeling has been gaining round that the quick stimulation of private monetary expenditures on speculation, consumption and investment is the pronounced goal of the new government. The generalisation of tax-concessions for all capital gains and the narrowing of the period admissible for concessionary tax-treatment are measures which are most uncalled-for at this juncture. These measures will directly stimulate speculation in various assets. Mobility of ownership of assets is welcome when there are no scarcities in an economy. This is not the case now. The fiscal and monetary measures to stimulate the share market may lead to more of speculation but not to a revival of the new issues market. There are too many gaps bytween an upward movement of share prices, increased realized capital gains and increased real investment. Besides, the contribution of the new issues market to net new investment has always been too meagre in our country even in the best of times. The authorities at one stage want to increase the influx of outside funds by liberalising terms of lending by financial institutions; at the same stage, they are expecting holders of financial resources to contribute more of owned-funds. Is not there a severe contradiction here?

harmful activities

Anyway activities both of investment, extra consumption and speculation are harmful in the immediate future in view of the pressure on scarce resources. Neither non-availability of rupee finance nor non-availability of exchange have been the inhibiting factors in the Indian economy; paucity of savings has been. And this is the sphere where the policy of low interest-rates, the climate of rising prices and the atmosphere of easy availability of nominal money are together placing further obstacles.

The pronounced goal of larger employment can be achieved only if either the supplies of wage-goods go up steadily and/or the consumption of such goods by organised labour and by producing farmers comes down. Neither real wages of organised groups nor the marketable surplus of farmers, as a portion of output, are tending to go up. How do we expect employment to go up? On the other hand, the continuing inflation is encouraging hoarding tendencies; will not potential investors, if any, shift from real investment to speculation?

As soon as he took office, the prime minister made a categorical statement that his government would immediately attend to the task of not merely halting the price rise but also of bringing down the price level. In fairness he has stood steadfast by his statement. But what has happened? The inflationery forces have not only continued during the past three months, but according to the available published indicators, these forces are getting stronger and stronger.

rising prices

For example, between March 28 and June 4, a period of about two months, the index of wholesale prices of all commodities has risen by about 3.3 per cent; the index of primary articles has risen by 9.4 points, of food articles by 9.4 points, of foodgrains by 4 points, of pulses by 16 points, of fruits and vegetables by 37 points, of eggs, fish and meat by 9 points; non-food articles have also risen by about four per cent, oilseeds by 23 points. Prices of minerals have risen by six per cent or by 27 points. The prices of manufactured products have risen by about two per cent. Of these, the prices of manufactured food products have risen by about six per cent. Sugar products have risen by about four per cent. Edible oils have risen by 14 per cent or by 21 points. Textiles have risen by three per cent or by 5 points. *Note that April and May are busy season months; normally prices fall during this period.*

In view of all the above, we submit that the authorities should announce their intention to implement the measures proposed in the FULLMANGAL memorandum. It is possible and necessary to halt inflation and bring down the prices. The government must to prepared to take the many hard decisions which they cannot avoid, or postpone, if inflation is to be quickly brought under control. Delay simply means that the decisions to be taken later become harder. In our judgment, a supplementary budget may be necessary later in the year. In the meantime all organs of public opinion must be mobilised to highlight the dangers of continuing inflation, to educate the different sections of community on the instruments to control inflation, and to prepare them for bearing through the consequences of the hard measures.

Rural employment : past failures and new strategy

Dr B. N. Gupta

The author provides guidelines for the generation of employment in rural areas on a massive scale because, he fears, the lack of full employment opportunities holds a potential threat to the integrity and independence of the country. The author at the same time believes that no set of recommendations can apply to all the villages in the various parts of the country.

THERE IS a controversy among the economists over the methodology for the measurement of rural employment, unemployment and under-employment in India, and no generally accepted measurement of the magnitude of this problem in specific terms has yet been available. There is, however, consensus on the fact that the intensity of the problem has been increasing to alarming proportions.[1]

Employment policy functionally manifests itself through employment planning, employment legislation and employment migrations. We will consider each one of them on the basis of our progress in this direction since independence.

first attempts

The draftsmen of the first two Plans were not unaware of the problem of employment planning, and some attempt was made to increase the scope of activities which generate employment through community development and national extension service programmes throughout the country. The idea perhaps was that the excess rural manpower would be absorbed gradually in rural industries. There was no additional rural employment programme during the first two Plan periods. The experience since then however has been that neither the development activities under the CD and NES were able to create any substantial work opportunities for the rural people, nor were the industrial development programmes including big, medium or small and village industries so geared as to absorb any appreciable number of excess rural population.

In the third Plan, it was envisaged that along with programmes of development for large and small industries, for agriculture as well as for economic and social services, there will also have to be a large-scale programme for rural works especially in densely populated regions and for periods of under-employment during the slack agricultural seasons.

important advance

The third Plan admitted this situation and making an important advance in understanding the problem introduced a new employment programme known as rural works programme. It listed two categories of schemes involving considerable use of unskilled and semi-skilled labour. These were: (a) local works at the block and village levels, and (b) larger works requiring technical supervision and planning by departments. Since there is need for fostering more employment opportunities during the slack agricultural seasons, the works programme to the extent possible, should be planned for execution during these periods. For this purpose, adequate organisations are to be built up mainly in the states and also to the extent necessary at the centre.[2] The total outlay envisaged over the Plan period was Rs 150 crores.

If we look into the actual implementation of the rural works programmes, we can understand that the magnitude of works undertaken and the actual amount spent were far below what had been planned.

In the draft fourth Plan, emphasis was again put on the need to strengthen and reorient the rural works programme. "If the rural works programme was to fill the anticipated gap in employment, there would be justification for a programme large enough to provide work during the slack agricultural seasons to about four million persons."[3] Thus, with a sense of utmost urgency the Crash Scheme for Rural Employment (CSRE) was speedily evolved and put into operation for 344 districts of the country from April 1971, and was extended up to the end of the fourth Plan. But, actually, during the fourth Plan period, a package of special programmes was formulated to provide more employment opportunities. The strategy adopted was to create through different programmes such work opportunities as were directly productive and contributed to building up of durable communal assets. Thus, the main focus of the Marginal Farmers and Agricultural Labour (MFAL) programme was on the creation of job opportunities particularly in the field of animal husbandry. The Drought Prone Area Programme (DPAP) was envisaged to create productive efforts and job opportunities for the rural people living in dry land areas.

thinly spread

Before the commencement of the special programmes, the CSRE was the only programme directly related to rural employment, but "experience of the working of the programme showed that resources were spread thinly over a very large number of very small projects and most of it was incurred on communications."[4] Moreover, in its anxiety to respond quickly to the political need for generating employment, the CSRE seemed to have acquired an imbalance. While it might be important to generate employment immediately, it is more important to create conditions in which it could be sustained, and to bring about such changes as would enable them to have progressively rising levels of income. The stipulation of 10-month duration of employment seemed rather difficult to comprehend. Thus the CSRE, which had almost all the potentialities and which was the most-publicised rural works programme

also failed to create sizeable employment and fruitful capital assets, as they were more in the nature of temporary relief measures.

In view of the recent thrust of new employment-generating activities such as MNP (Minimum Needs Programme), the CSRE was virtually dropped and a Pilot Intensive Rural Employment Project (PIREP) was evolved and taken up for working from 1972-73 to 1974-75 in 15 blocks throughout the country. "The object of this project is to collect the necessary data in order to ascertain the dimensions of the programme for providing full employment to everyone who is willing to work. This scheme was to be implemented over a three-year period and will accordingly spill over to the first year of the fifth five year Plan."[5]

PIREP is a research-cum-action plan. It was found that the number of workers estimated by the employment survey, registered and turning up for work differed. It has been decided that each state government must take into account the situation existing in the particular block and plan accordingly implementation of the works with due regard to the availability of farmers.

specific attempts

There have been some specific attempts at organisation of rural work force for better utilisation of rural resources and to fulfil the rural needs such as the Land Army of Karnataka. The latest attempt is to guarantee employment to the rural people as has been tried in Maharashtra since 1972, and now the government is contemplating to cover the entire rural India under its Employment Guarantee Scheme. The guarantee scheme of the Maharashtra state marks a distinct advance in the country's progress towards a social welfare state. Very recently the various state governments have paid special attention to provide job opportunities in the rural sector and particular attention has been paid to ameliorate the condition of specially disadvantaged, socially backward and the so-called weaker sections of rural communities.

Article 41 of the constitution has laid down the right to work. It is a directive principle of the state policy. But this right to work has to be implemented by the state "within the limits of its economic capacity and development."[6] While the constitution was being framed, Prof K.T. Shah had pressed for the guarantee of work or employment. He, however, was, keen to couple the right to work with the duty to work. But ultimately B.N. Rau's note and the report of the Constituent Assembly's sub-committee on Fundamental Rights which mentioned the right to work as a directive of state policy formed the basis of the final provision in the constitution.

The right to work or employment for the mass of population has been a distant goal to be secured and attained by the state. While formulating the new policy regarding guaranteed employment, the experiences of Maharashtra and Karnataka should be taken into consideration.

dynamic concept

Migration may be defined as simultaneous change in social and physical space of a person or a group of persons. It is essentially a flow phenomenon and involves components quantitative, locational and directional. It is caused by attractiveness of the regions during a given period of time. Migration is mobility, and as such it is dynamic.

The migration of population from rural to urban areas in search of employment is a regular feature in our country, with the result that cities tend to grow at the expense of the country. Rural people have not only been migrating to nearby cities and metropolitan towns but sometimes they have been migrating to places several thousand kilometres away from their original habitat. They have migrated not only within the country from one region to another, but also to foreign countries such as Malaysia, Fiji, Mauritius, New Guinea, many African countries and to several other parts of the world. Lack of employment opportunities in rural India have forced the people to drift in search of jobs far and wide.

Besides employment, the other reasons for rural exodus have been natural calamities, political disturbance, foreign invasions, missionary zeal and the spirit of adventure. This rural-urban, internal, intra-regional and inter-continental migra-

situation to some extent, but it has failed to provide permanent employment to the villagers in large numbers.

fundamental deficiencies

In an underdeveloped country, failure to provide full employment can be traced to certain fundamental deficiencies in the economic structure. Until the economic base has been greatly strengthened and education and other social services developed, the economy will not be able to achieve a rate of growth sufficient to provide work at an adequate level of remuneration to the entire rural population. These processes necessarily take time and call for a scale of effort and investment which may be well beyond the capacity of the economy in the early stages.

However, the reasons often given for not being able to solve the employment problem in rural India are:

1. Pressure of population on land and rapid growth of population.

2. Lack of education and traditional, fatalistic orthodox outlook of the rural folk.

3. It is futile to try to solve the problem of rural employment, in an overpopulated land, by redistribution of land which is in short supply.

4. The redistribution of the surplus land among the landless and weaker sections of the rural community has not provided them full employment. This has happened so because almost everywhere such land was of inferior quality and the person to whom the land was allotted suffered from many handicaps. In fact in a majority of these cases the distribution of surplus land in small pieces to the landless does no good either to the landless or to the land.

5. The number of landless labourers has been growing gradually and it will continue to grow till non-agricultural occupations absorb them in villages. All of them cannot be settled on land, because growth of employment opportunities within agriculture has not been significant. There is absence of adequate subsidiary occupations.

6. Progressive mechanisation and sub-

titution of power for human labour has further aggravated the problem.

7. Village industries and artisans were the first to suffer, unable to compete with the new industrial products in their quality, variety and above all in costs, the people engaged in the traditional industries were thrown out of employment. Thus, they have swelled the ranks of either the small cultivators or the landless labourers. Those who clung to their traditional occupations have remained progressively underemployed.

8. Employment is most difficult in areas which have heavy pressure of population or in which on account of the scanty development of local resources, low levels of productivity persist and there is lack of continuous work.

9. Job opportunities for the unskilled have been insignificant.

future pattern

The important issues could be summarised as follows:

1. If the existing pattern of planning to provide more employment opportunities is dysfunctional, what should be the pattern of future planning?

2. If the major effort is to be directed to the uplift of the rural poor and vulnerable sections of the community, what should be the main ingredients of our employment social policy?

3. If the existing financial resources available for creating more jobs are not sufficient, how should they be utilised to yield optimum results?

4. A faster rate of growth is a pre-condition for rural employment and rural development. In view of this, how to restrict the migration of rural youths from villages to urban areas and how best to utilise the services of university educated youths hailing from rural areas for settling, working and developing the villages so that faster growth may be possible in rural India?

5. How far a more developed technology, scientific innovations and agronomic-research can help us in solving the problem of rural employment?

6. How far creation of income opportunities outside agriculture and shifting of population from agricultural sector to non-agricultural sectors could help us in solving the vital issue of employment.

7. How far the pooling together of schemes at the village level would turn the under and unemployed persons into producers by the optimum utilisation of human resources?

8. What type of employment opportunities could be created to provide employment to educated persons particularly in view of the fact that the graduates of our universities fail to find employment which they expect?

the strategy

Provision of more employment should form the major component of our developmental programmes, projects, plans, services and new social legislation.

The strategy suggested is massive employment generation. For this due emphasis needs to be laid on augmenting the production of food and other articles of mass consumption. Decentralisation of industries and expansion and development of village, small-scale and cottage industries could be of some help in this direction. Regarding industries three increasingly important propositions are:

1. Protecting the existing employment in the traditional industry from aggression of modern industry,

2. Containing the modern industry to its present level and reserving all future expansion of production for traditional industry, and

3. Undertaking an active expansion of the traditional industry with a view to covering some of the employment lost to modern industry and thus to expand employment even at the present level of production.

The use of power and cheap, light and handy machines which do not replace labour could help to some extent in providing more employment opportunities in rural areas.

Population control and family planning needs to be given due attention but without any coercion of rural manpower planning.

A new social legislation needs to be introduced which may guarantee the right of gainful employment to every person in rural India. This has also been advocated by Dandekar and Rath as one of the means to solve rural poverty. Prior to introducing new social legislation, the scheme of employment introduced by Maharashtra deserves to be considered seriously. The creation of employment opportunities cannot be approached merely in overall terms. The problem needs to be broken up in terms of sectors, regions and classes.

Diversification of the industrial pattern, a suitable policy on location of industries, special measures to assist small scale and cottage industries, maintenance of economic activity continuously at high levels, provision of adequate training facilities, measures to promote geographical and occupational mobility of labour, all these must be considered as elements in the programme of creating new employment on the requisite scale.

complex problem

It could be further postulated that though provision of employment to all is too big and complex a problem to overcome within the span of a single five-year Plan, the compulsions of the present situation dictate that the sixth five year Plan should be so oriented as to speed up the process of full employment and fulfil the people's expectation by the utilisation of human resources, higher growth rate, and increased equality in terms of consumption.

The problems of rural employment have no easy solution. Even to talk of "solution" is to over-simplify them, as any apparent solution must raise or create other problems, political, economic, administrative, social or ecological.

The urgency of an effective employment policy cannot be over-emphasised. This article has attempted to set out some guidelines. No detailed recommendation can apply to all the villages of different states of India. But any approach to the employment problem can only be successful to the degree that it involves the optimum utilisation of local resources, the rural community, the rural elite, the progressive leaders and the people's chosen or selected representatives.

The following salient points should

kept in mind while formulating our future employment policy:

1. From 1947 to date, there has been an increase in employment opportunities for the rural people owing to various programmes and special programmes of the government.

2. At present we are not in a position to provide full employment to all our people in the rural sector. Even avenues of subsidiary employment are far more limited.

3. The backlog of unemployment has been increasing after every Plan owing to rapid growth of population in spite of more opportunities for employment.

4. Though living conditions have improved everywhere, even in the most backward villages, yet large numbers continue to remain out of employment.

6. The successive Plans did not particularly refer to the provision of full employment in the rural areas as one of the major objectives of planning but laid stress on considerable increase in national income so as to raise the levels of living, increase in employment opportunities and reduction in the inequalities in income and wealth.

7. It has been apprehended that the lack of full employment opportunities and social security and welfare measures in rural areas holds a potential threat to the unity, integrity and independence of the country and that provision of opportunities for full employment should, therefore, have the highest priority.

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STRAW PRODUCTS LIMITED

NOTICE

It is hereby notified for the information of the public that STRAW PRODUCTS LIMITED proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval for establishment of a new undertaking for the production, supply, distribution or control of 400,000 metric tonnes per annum of Portland Cement. Other particulars of the proposed new undertaking are as under:

(i) Name of the proposed undertaking. — Straw Products Limited, Nehru House, 4 Bahadur Shah Zafar Marg, New Delhi 110002.

(ii) Name of the person(s) or authority/authorities proposing to establish the new undertaking. Where it is a body Corporate furnish details of its management structure together with those of the proposed undertaking. — Straw Products Limited, the applicant Company, is managed by a Managing Director subject to the superintendence, control and directions of the Board of Directors.

(iii) Capital structure of the applicant person or authority and of the proposed undertaking. — The Capital structure of the applicant Company as on 31.3.1977 is as follows:

Authorised	Amount in Rs.
80,00,000 Equity Shares of Rs. 10 each	8,00,00,000
75,000 9.5% Cum. Red. Preference Shares of Rs. 100 each	75,00,000
25,000 11% Cum. Red. Preference Shares of Rs. 100 each	25,00,000
1,00,000 Preference Shares of Rs. 100 each.	1,00,00,000
	10,00,00,000

Issued, Subscribed and Paid-up	Amount in Rs.
40,07,984 Equity Shares of Rs. 10 each	4,00,79,840
75,000 9.5% Cum. Red. Preference Shares of Rs. 100 each	75,00,000
22,899 11% Cum. Red. Preference Shares of Rs. 100 each	22,89,900
Total	4,98,69,740

The proposed undertaking will be division of the applicant Body Corporate and, therefore, will not have a separate capital structure.

(iv) Proposed location of the new undertaking — Banas in Sirohi District, a notified industrially backward area in Rajasthan.

(v) Brief outline of the cost of Project, the scheme and sources of finance. — The Cost of the Project is estimated at Rs. 2400 lacs which shall be met by raising Share Capital, Loans from Financial Institutions/Banks and from own resources.

2. Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhawan, New Delhi, within 14 days from the date of publication of this Notice, intimating his views on the proposal and indicating the nature of his interest therein.

Regd. Office:
Jaykapur,
Dist. Koraput,
Orissa.

for Straw Products Limited
Sitab Chand Jain
Secretary

Dated the 29th July 1977.

Health in south-east Asia: challenge and response

The seven-day meeting of the WHO Regional Committee, taking place in Bangalore during August 2—8, is being attended by representatives from 10 countries which comprise the WHO's south-east Asia region. These are: Bangladesh, Burma, Democratic People's Republic of Korea, India, Indonesia, Maldives, Mongolia, Nepal, Sri Lanka and Thailand. This is a summary of a report presented to the Committee by the WHO Regional Director for south-east Asia.

THE ERADICATION of smallpox from Bhutan, India and Nepal has been described as "a remarkable event in the history of medicine and of mankind" by Dr V.T.H. Gunaratne, WHO Regional Director for south-east Asia, in his annual report for 1976-77.

Bhutan, India and Nepal were officially declared to have achieved total success over this age-old scourge after a visit by the International Assessment Commission in April 1977. A similar announcement is expected in respect of Burma and Bangladesh, which have been free of smallpox

WINDOW ON THE WORLD

since 1969 and 1975 respectively, after a visit by the commission later this year.

With the inspiration and confidence derived from the success over smallpox, countries in the region are now organizing expanded programme of immunization to tackle other cammunicable diseases—diphtheria, pertussis, tetanus, poliomyelitis and tuberculosis, for which effective immunizing agents are available. But the WHO Regional Director cautions: "The success of this programme will depend on maintaining its continuity and providing adequate potent immunizing agents, supported by a reliable cold-storage chain."

"The resurgence of malaria continues to cause grave concern," notes Dr Gunaratne. "The challenging problems of the resistance of the malaria parasite to available anti-malaria drugs and vectors to pesticides, remain to be solved. Added to these is the resource constraint prevailing in most countries which comes in the way of providing the support required to increase anti-malaria activities. The rising cost of insecticides has aggravated the situation further."

WHO has been collaborating with member states in reviewing their existing anti-malaria activities in order to develop alternative epidemiological approaches and organize goal-oriented, time-bound research programmes to tackle these problems. Under the auspices of the WHO Regional Advisory Committee on Medical Research (RACMR), a group of eminent scientists made an in-depth study of the different aspects of these problems and developed specific research strategies and approaches.

There are visible signs of improvement in the epidemiological situation, at least in some countries. There has been a further reduction in the number of microscopically diagnosed cases in Indonesia and Nepal, while in Maldives and Sri Lanka, where there was an upward trend in 1975, the case reduction is 47 per cent and 25 per cent respectively. In Bangladesh, India, Indonesia and Thailand the rate of increase in incidence is less than what it was in 1975.

"One of the major strategies to contain diseases such as malaria, filaria and dengue haemorrhagic fever in the region," says Dr Gunaratne, "is to control the vectors which are responsible for their transmission. It is therefore essential to study vector biology and the relevant ecosystems. WHO's vector biology control unit is working closely with the communicable disease programmes to develop specific measures to deal with these disease vectors."

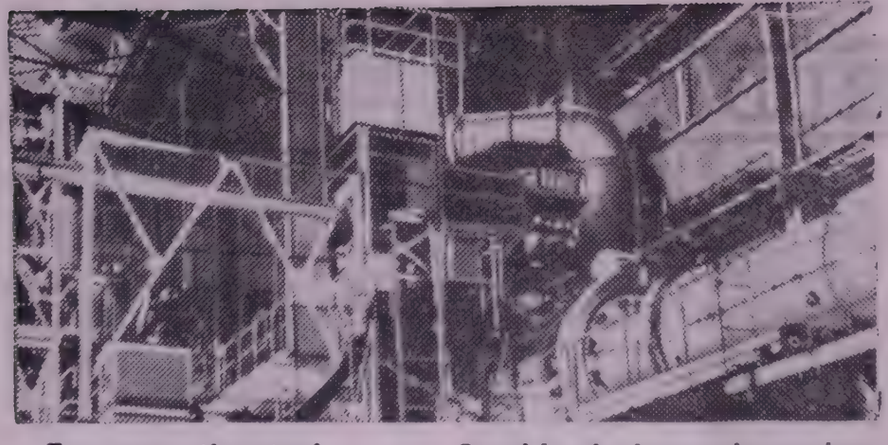
health for progress

"The last decade has seen an end to the debate on the significance of health to the economy," records Dr Gunaratne, and adds: "Health in fact is now accepted as an inter-sectoral concern that depends on overall socio-economic development. Conversely, there can be little economic productivity in a population with a low state of health. Hence both are essential components of efforts towards a better quality of life. All health planning must therefore be based on an appreciation of the close inter-relationship between health and economic growth."

The provision of health to all has been a predominant concern of governments in the region. It is becoming increasingly clear that only through appropriate health services at the local level, supported by a suitable referral system, can effective health care be brought within the reach of the underserved rural populations. "It is most gratifying," notes Dr Gunaratne, "that an upsurge of health activities to strengthen and extend primary health care services is now clearly noticeable in all our countries."

Recalling that the regional committee

Another contribution to the nation from Tata Steel... sponge-iron technology.



For years, the steel industry all over the world has been looking for a manufacturing process which could be independent of the shrinking supplies of metallurgical coal and the erratic supplies of scrap.

Sponge-iron technology looks promising, and Tata Steel is playing a pioneering role in its development in India.

As part of its research, the Company has set up a sponge-iron pilot plant, to conduct experiments on various combinations of iron ore and non-coking coal. This pilot plant was designed and erected entirely with the Company's own expertise.

Electric furnaces, particularly in the numerous mini-steel plants, can find in sponge-iron a ready supplement to scrap and a continuous source of raw material.

Tata Steel is now on the threshold of a significant contribution to innovation in steel technology. And Indian industry can look forward to a process of steel-making most suited to its needs.

TATA STEEL

TIS.2260

in 1976 had emphasised the need for developing and using traditional systems of medicine in a complementary manner along with modern medicine in order to provide the best of both to the community, the WHO Regional Director says: "Traditional medicine has simple, inexpensive, time-tested treatment regimens and remedies which are easily available to local populations. Such medicines are readily accepted by the rural people as these are a part of their age-old culture." Dr Gunaratne points out, however, that there is a need to provide a scientific framework for the widespread application of this system through proper research. The first step in this direction was the signing in November 1976 of a collaborative research agreement between WHO and the Indian Council of Medical Research for evaluating the Ayurvedic therapy for cases of rheumatoid arthritis. The four-year study will receive $20,000 as WHO assistance.

A crucial factor in improving the coverage and quality of health services is the availability of adequate number of health personnel with task-oriented training. The development of the health manpower needed by the health services has therefore been given a high priority in WHO's collaborative activities. "It is most encouraging," reports Dr Gunaratne, "that member countries are keen to reorient their activities in health manpower development so as to respond to the realities of local situations."

Visual impairment and blindness have of late come into prominence as growing problems, and the countries of the region have been strengthening programmes for their prevention and control. WHO has been providing advisory services and collaborating with the countries in mobilising resources from international, bilateral and voluntary agencies, such as the International Agency for the Prevention of Blindness, the Royal Commonwealth Society for the Blind and the American Society for the Blind.

"Adequate provision of safe drinking water and sanitary disposal of sewage continue to be major public health problems," notes Dr Gunaratne. "Lack of these basic services is inextricably linked with the persistence of communicable diseases transmitted through water. In spite of the continuing efforts of governments and international and bilateral agencies, only the fringe of the problem has been tackled."

WHO, along with UNICEF, the United Nations Development Programme and bilateral agencies, has been collaborating with governments in accelerating the pace of planning and implementing programmes in this field. Community water supply and sanitation remains the main area of WHO assistance because water-borne diseases are still among the most important health problems in the region.

The Regional Advisory Committee on Medical Research, composed of eminent scientists in the region, has now held three meetings since January 1976, which have led not only to the identification of priority research areas but also to the initiation of in-depth studies in five major subjects: malaria, leprosy, dengue haemorrhagic fever, chronic liver diseases including cancer, and alternative strategies to the delivery of health care. As a result, concrete proposals for research in specific asspects of these areas have also been formulated. Another problem, diarrhoeal diseases of children, has been under study by the RACMR which concentrated on the epidemiological aspect and on oral rehydration.

US charts new course for OPIC

These are excerpts from a recent statement by C. Fred Bergsten, assistant secretary of the Treasury for International Affairs, before the Senate Subcommittee on Foreign Assistance. He sees ample scope for continued foreign direct investment throughout the developing world.

THE UNITED States policy toward foreign direct investment in the LDCs, like our policy toward other international economic relationships with these countries, must be seen in the overall context of North-South relations as they stand today. It has become a widespread view that, increasingly, the LDCs have been acting collectively and voting as a bloc in international organizations. The "Group of 77", a loose coalition of LDC interests (comprising a voting block now substantially larger than the initial 77 LDC members), has emerged within the UN framework, This group is calling for a "New International Economic Order" (NIEO) to increase the share of LDCs in world output and economic influence...

The rhetoric of the NIEO has...been somewhat hostile to private investment. However, the actual behaviour of most individual members of the Group of 77 has been much more moderate. The intense need for capital, technology and managerial skills has encouraged a pragmatic approach to foreign investment in most countries. The growing ability of the developing countries to harness Multinational Corporations (MNCs) to their national development objectives has reduced hostility toward the firms...

Thus there is ample scope for the continued operation of foreign direct investment throughout the developing world. Well-conceived Overseas Private Investment Corporation (OPIC) programmes can help support such investment, if those programmes are tailored to the realities of the latter 1970s and early 1980s. The administration's objective is to recommend changes in OPIC which would further that objective.

At present, however, the legislative situation which authorises OPIC is unstable. Under the 1974 legislation (which expires at the end of 1977), OPIC must progressively increase private participation in its insurance functions with the aim of withdrawing completely from direct underwriting of inconvertibility and expropriation insurance by the end of 1979, and of war risk insurance by the end of 1980.

It is now clear that this withdrawal schedule cannot be met. OPIC has made heroic efforts to increase private participation in its portfolio. Some increase in private participation has resulted, but success has been strictly limited and at the cost

of diverting OPIC from the fundamental objectives of its programme. If this privatisation requirement is not changed, OPIC will be gutted..and important US policy objectives will lose a helpful policy tool...

The portfolio which maximises OPIC's development impact is clearly not identical to the portfolio which maximises private participation. Private insurers are in business for profit, and their interest in OPIC's portfolio is directly proportional to that portfolio's profitability. Thus the pressure on OPIC to turn-over its insurance to the private sector by 1981 has led OPIC toward choosing less risky, more profitable, projects even when these are not the best projects for developmental purposes...

The administration believes that maximum emphasis should be placed on development, consistent with OPIC's undertaking to be self-sufficient. The issues before the Congress today are whether development in the poorer countries is in the national interest of the United States, whether private direct investment promotes such development, and whether OPIC promotes private direct investment. If the answers to these questions are affirmative, then OPIC should be given new policy direction and a new lease on life.

The administration believes that the answers to these questions are affirmative, Private direct investment can play an important role in the economic development process, particularly through: transfer of resources, and of managerial and administrative expertise; the expansion of productive capacity and employment; and establishment of new export markets.

major barrier

A major barrier to private direct investment is political risk. OPIC insurance pools this risk and reduces it for the investor. This lowering of risk is an effective incentive for investment...

Since investors, whether rightly or wrongly, tend to perceive higher political risk in the poorer LDCs, OPIC is more likely to add additional investment in these countries than in richer LDCs. . . .

In order to further focus OPIC's efforts the administration has concluded that OPIC programmes should be confined to the less developed countries, excluding the advanced or "upper middle income" countries except for mineral and fuel projects approved by the board and exceptions recommended by the secretary of state on national interest grounds. OPIC should concentrate on the poorer countries, which are most in need of external resource transfers and are least likely to receive investment inflows from the private sector on their own. . . .

A second new focus for the OPIC programme recommeded by the administration relates to investments in energy and nonfuel raw materials, where additional investment as a result of OPIC coverage is also higher since firms are now reluctant to invest in this area without OPIC insurance. OPIC has already introduced a programme to develop innovative, risk-reducing coverage for new types of investments—joint ventures, service contracts, aud the like—in fuel projects in oil-importing LDCs and in minerals projects.

priority sectors

The administration recommends that OPIC continue, and expand, its use of insurance and guarantees to promote US investment in LDC fuel and nonfuel mineral projects. This would enable it to pursue three important US national objectives: to avoid misallocation of important economic resources; to diversify supply and contribute to a reduction in US vulnerability to collusive price arrangements and interruptions of supply; and to help LDCs deal directly with their own energy needs, one of the major current constraints on their development policies.

There is evidence of global misallocation of resources which, if continued, could signifieantly increase the cost of raw materials over the long run. A recent World Bank survey found that 80 per cent of all exploration expenditures in 1970-1973 were being made in the industrialised countries—the United States, Canada, Australia, and South Africa. Private firms are reluctant to invest in LDCs, primarily because of political risks. US firms, for example, prefer to develop a copper deposit with less than one-half per cent richness in the United States than deposits which are more than twice as rich in an LDC. Yet the rate of return in mincrals projects in LDC's is twice as high in countries. Indeed, for some of the poorest countries of the world, minerals projects may be the only good projects that external private investment could develop.

important role

Private firms have already begun to demonstrate the feasibility of management contracts, service contracts and other nonequity arrangements in oil and mineral projects. These approaches offer economic benefits to host countries and profitable opportunities to American companies, and respond to the desire of many developing country governments to maintain sovereign control over their natural resources. OPIC can play an important role in helping US investors and host countries work out such mutually acceptable arrangements. This will help reduce the tensions which have diverted investment from the most economic sites. Also, by reducing the likelihood of expropriations, it will help avoid the inevitable problems for US policy which arise when expropriations do occur. . .

However, the dollar amounts of OPIC activity in this field would be small compared with the capital requirements for most energy and raw materials projects. Thus some means of leveraging OPIC's involvement would need to be developed for it to have a significant impact. In this connection, OPIC would seek to coordinate its efforts with similar institutions in the 16 other countries in which they exist. This type of coordination would also serve two other US objectives:

(1) To minimise the likelihood that host countries will renege on their end of investment bargains, by maximising the costs to them of doing so by increasing the number of home countries that would be adversely affected.

(2)To minimise fears of other materials-importing countries, in western Europe and Japan, that the United States was unilaterally making "special deals" to outbid them for potentially scarce raw materials.

The administration thus supports OPIC's efforts to develop risk-reducing coverage for investments in raw materials in the developing countries, and believes that those efforts should be expanded and intensified. . . . . *Courtesy : USIS*

MOVING FINGER

For an infant political party, the Janata party already seems to have collected a respectable (?) number of skeletons in its cupboard. For instance, there is the rattle of a Janata brand of Dhirendra Brahmachari. *The Times of India* of July 28 has a report on one Mr Purushottam Nath Kapoor, described as a "noted tantric", who was apprehended at the Gonda railway station while on his way to Gauhati in an air-conditioned compartment since it was suspected that he was using a fake pass. Mr Kapoor was released from police custody, allegedly in pursuance of a directive from Mr Raj Narain sent over the phone and is now on bail. The Health minister has denied in the Rajya Sabha that he made any such phone call. But does this end the story?

Even if the pass was a valid one, as is being claimed, did it entitle Mr Kapoor to air-conditioned accommodation, or a female travel-partner, who was neither his dependent mother nor, presumably, his lawfully-wedded wife? Mr Kapoor himself was engagingly forthcoming. He explained away both the company he was keeping and the foreign liquor bottle found is his possession by pointing out that women and wine were essential equipment for tantric rites. It has to be asked, however, whether ticketless travel is also a part of the fundamental right of a tantric to carry on his trade or profession. Mr Kamalapati Tripathi was notorious for his indiscriminate exercise of the prerogative of a Railway minister to issue passes. Was Mr Kapoor one of Mr Tripathi's cronies who were so rewarded? The latter's partiality for soothsayers and star-gazers is well-known. Or, could it be that Mr Kapoor was a beneficiary of Janata dispensation? In any case, Mr Madhu Dandavate owes an explanation. Some time ago he claimed in parliament that he had whetted or was whetting the list of pass-holders. Has he okayed Mr Kapoor's pass? If so, is it because, as has been reportedly claimed by Mr Kapoor, certain prominent Janata leaders are habitual customers for Mr Kapoor's tantric services?

Indeed, the most bizarre feature of the episode was the statement said to have been made by Mr Kapoor that, when his journey was so unceremoniously interrupted, he was actually on his way to the Kamakhya temple in Gauhati to perform tantric rituals persuading or compelling the supernatural powers to come to the rescue of Mr Charan Singh whose Home ministership, if not life, was, according to Mr Kapoor, in grave jeopardy because of the voodoo rites being performed in Nepal at the behest of one of Mr Charan Singh's colleagues (what a colleague!) in the central cabinet. Mr Atal Behari Vajpayee was recently in Nepal. So, I am afraid, he has much to explain. Also Mr Jagjivan Ram; Bihar is so close to Nepal.

In a recent issue (July 24-30), *The Illustrated Weekly* has an article on auto-urine therapy. Considering that the Health (?) minister, Mr Raj Narain, seeks to push Janata medicine back into the vedic age, by, among other steps, appealing to MPs to take to auto-urine therapy, the theme at least has the excellent quality of topicality, since the sanction of antiquity is claimed for this therapy by its votaries. They also make other claims; for instance that auto-urine therapy easily solves the problem of providing medical relief to the teeming millions at little or no cost. This merit, surely, is incontrovertible. *Shivambu* (the patient's own urine) calls for no investment of land, labour, capital or enterprise. You make your own cure-all without any special thought or effort. In fact, you cannot help making it. Which has the consequential blessing—invaluable in this mercenary age—that it gives no scope for commercial exploitation through manufacturing or marketing.

Unfortunately, the opportunities for the commercial *exploitation* of panaceas are often only too numerous. Right now, in the United States, a Senate sub-committee is critically investigating the worth of Laetrile, an extract of apricot pits, which is claimed to be a cure for cancer. While allopaths assert that the drug is useless as a cancer cure and that its long-term ingestion could be harmful, those who live or swear by it have managed to make it a million-dollar business. Nearer home, what purports to be an ayurvedic preparation of the therapeutic factor in garlic is of late being widely advertised as something of a cure-all. Garlic may have medicinal properties, but it does not follow that this particular preparation is capable of yielding the results specified by its manufacturers. Nevertheless, it just does not seem to be the responsibility of any authority in the public health field to assess the value of this preparation. Which is a pity—since Lasona is not inexpensive and regular or prolonged use of it could add substantially to the medical bills of middle class homes.

Better late than never. Mr Uma Shankar Dikshit has at last deigned to vacate the Raj Bhavan in Bangalore. But what about the rest? Such as Mr Gopala Reddy, Mr Jaisukhlal Hathi or Mr Satyanarayan Sinha? Governors who had battened on their jobs during the emergency and have at least been passive partners, where they have not been active agents, of that atrocious regime surely have no moral authority to continue in office. Unfortunately, nimble politicians of the kind of Mr Hathi are so adept at making up to the powers-that-be that I should be surprised indeed if their past record were to come in the way of their present profits or pleasures or their future preferment. A man who could get along with Mr Bansilal is hardly likely to find himself out of his depths in any political situation.

VB

The ideal of trusteeship

Equality Through Trusteeship: Vadilal Lallubhai Mehta; Published and Printed by the author at Raj Graphics, Wadala, Bombay; Pp 408; Price not given.

International Agencies — The Emerging Framework of Interdependence: Evan Luard; The Mcmillan Press Ltd; Pp 338; price £ 14 net.

Performance Budgeting for Commercial Banks in India: S. Singh; The Mcmillan Company of India Ltd; Pp 185; Price Rs 28.

Narottam Morarjee — Architect of Modern India : Shipping: Edited by N.G. Jog; Published by The Scindia Steam Navigation Co Ltd; Pp 151; Price not given.

Foreign Aid to India: Brojendra Nath Banerjee; AGAM Prakashan; Delhi; Pp 376; Price Rs 80.

Production Function in Indian Economy: S. Hajra and Ashok Kumar; Economic and Scientific Research Foundation, New Delhi; Pp 321; Price Rs 50.

Reviewed by **Academicus**

THERE ARE various ways of organising society to solve the basic economic problems of what to produce, how to distribute what is produced and how to make provision for the future. V.L Mehta, the author of *Equality Through Trusteeship*, after briefly reviewing the wide spectrum of known institutional arrangements ranging from Adam Smithion notions of *laissez faire* to the Marxian ideal of socialism, has fervently advocated the alternative trusteeship model along the lines advocated by Gandhiji. At this juncture when different issues and forms of social organisations are being critically reviewed, and when increasing dissatisfaction is being expressed about the prevailing systems of social organisation, the author's venture to suggest new lines for social organisation along Gandhian ideals would naturally be welcome.

income inequalities

The main objective of the author is "to suggest a *modus operandi* to reduce income inequalities and also to raise the level of living of the masses above the present poverty line within specified time limit within which the country is also expected to achieve economic self-sufficiency.

The author has emphasised in his thesis the need to have the targets firmly set and achieved by means of decentralised production system and largely labour intensive technique so that vast and increasing number of unemployed employables may be assured of gainful employment. In this connection the author has devoted considerable attention to Amber Charkha, handloom and khadi, village industries, cattle-breeding, gobar gas, fisheries and afforestation. But at the same time the author has pleaded for a judicious employment of modern technology so that the pace of increasing production may not be retarded. The author is seeking to augment the production of mass consumption goods while for the next few years pace of production of luxury goods is to be limited to the present level and their export promoted. The twin objectives are to avoid unemployment and to keep the luxury goods mostly out of the reach of local consumption.

BOOKS BRIEFLY

To achieve the above objectives, the author has pleaded for drastic reordering of priorities —priorities in respect of human needs and in respect of national welfare. Naturally agriculture, according to the author, will have to be given the highest priority. From this it would follow that everything connected with agriculture—soil, seeds, water, fertilisers, pesticides, agricultural tools, fuel, etc—must receive high priority. It also goes without saying that agro-based industries must also be given high priority.

Along with foodgrains, cloth constitutes one of the basic human needs. Since maximisation of production of goods necessary to satisfy human basic needs is to be a primary consideration, the author has advocated the production of cloth on a massive scale by utilising the agency of Amber Charkha and handlooms. The government must ensure the availability of finance, raw materials and organisational skill to this sector.

employment opportunities

The author has insisted on the highest priority being given to the creation of employment opportunities simultaneously with population control. Opportunities are therefore to be created for employment of more and more people and at the time awareness has to be created among people about the necessity of population control. According to him, national welfare also requires provision of the right type of education which should therefore receive high priority. Non-formal educational programmes should play an important role ensuring free education for all up to a minimum level. Housing should also receive high priority. A country-wide housing programme using mostly local materials which are available in plenty will not only help solve the problem of accommodation but would also generate vast employment opportunities in rural areas of the country.

The author has solutions to all the current problems. For example, if price stability proves elusive, "indexation on the model of Brazil may be tried." Similarly, "possession of black money should be rendered futile and shameful," and modern technology is to be used keeping in view the environment and natural resources of the country. Economic policies and programmes must have sound and solid moral scaffolding without which it will degenerate into a mad rat-race.

The Gandhian programme sound wonderfully good provided two conditions are satisfied. One is that our entire attitude towards the concept of private property will have to undergo a sea-change and secondly we must be prepared to limit our

wants instead of multiplying them. Both involve a sort of change in human nature and therefore are difficult to realise, at least in the near future. The author should have known that mere declaration of intent is not a concrete programme and even the mere formulation of a concrete programme would by itself be inadequate unless appropriate modalities and instruments are suggested for the fulfilment of the programmes.

QUIET REVOLUTION

Among the various changes that have been taking place in the world for the last two or three decades, the most remarkable has been the increasing interdependence among nations. It has come to be generally recognised that problems such as world energy crisis, the world food shortage, population explosion, hijacking, the traffic in drugs, protection of world environment, use of the deep sea-bed resources, commodity prices, international trade restrictions, regulation of multinational corporations and so on, can be dealt with effectively only on an international basis. This 'globalization of problems' has been speeded up especially since 1945. Consequently there has emerged an extensive framework of international institutions which are trying to tackle these problems at the international level. This, according to Evan Luard, the author of *Inter ational Agencies—The Emerging Framwork of Interdependence* is "the quiet revolution of our generation". The aim of the author is to guide readers to understand the evolution and functioning of the various international institutions and the nature and range of responsibilities undertaken by them.

The author has also given consideration to some of the wider problems which have arisen such as the best way of organising this array of international tasks, difficulties of coordinating the many international agencies involved, and some of the political problems which have emerged in the process of building up of these institutions. The author has also made an attempt to look at some of the new problems like satellite communications, worldwide inflation, the energy gap, weather control and world development and attempts which are being made to successfully deal with these problems at the international level.

According to the author, the various international organisations fall into several categories. For example, in the case of some organisations like the ILO, the main function has been standard-setting; for some others like FAO, it is the dissemination of techniques; while for some others like WHO and the UNESCO, it is the provision of international service; while organisations like ITU and UPU are meant to supervise international communications. The IMF and GATT look after financial and commercial regulations.

dramatic change

All these international organisations have had, however, one thing in common. In a rapidly shrinking world, the demand for services organised at the international level has brought about a dramatic increase in the activities of most of those international institutions. The most important causes responsible for increasing activities of these international organisations have been the diminution of distances, advances in technology (which made possible, among other things, exploitation of space and sea-bed), and political pressures.

According to the author, new techniques have been developed by international organisations to increase their authority with governments. These bodies may make recommendations, or try to establish conventions or make rules which, if ratified by governments, become binding on them. These bodies also try to set standards, or coordinate activities in various countries to bring about uniformity in them. Some of them try to provide common services, or educa tional and research facilities or financial and technical assistance.

The author has examined questions such as: How far is there within the international organisations a clear and well-understood division of functions? Are the existing international institutions well adapted to perform their functions? Are there efficient procedures for decision-making within the organisations? Are there efficient procedures for effective execution of decisions once reached? Are there good procedures for long term planning?

After critically examining the working of various international institutions, the author has arrived at some general conclusions. According to him, one of the most striking features is the speed with which international institutions have grown in size. For example, judged by increases in expenditure, the percentage increase, in constant prices, from 1950 to 1968 was 120 per cent for the UN regular budget, 366 per cent for regular budgets of specialised agencies, and 302 per cent in voluntary programmes, making 250 per cent for the whole system. At this rate the author predicts that international institutions in twenty or thirty years' time would expand to very large proportions indeed!

As regards the areas in which this expansion is likely to take place, the author has mentioned the problems of sea-bed, of pollution, of erosion and other man-made deteriorations in the natural universe. In all these fields the need for international regulation is bound to increase in years to come.

the future

What about the future of the international institutions? The author feels that whatever the inadequacies of the present structure of individual organisations "the quiet revolution of the past thirty years will not be reversed." He opines that "international cooperation will always flourish and expand most rapidly in those areas where there is most common purpose and least conflicting interests." He believes that "as international authority expands, loyalties also may begin to be transformed." International organisations, unlike nations, do not have their own myths and symbols, their flags and anthems. But the author is confident that gradually "a different conception of the capacity of the international system could be established, and of the way in which important social, economic or other tasks may best be fulfilled." International institutions in course of time will come to be buttressed by the civic and political consciousness that is necessary to sustain any system of government over a long period. The author has no doubt what-

sover that "The internationalism of tomorrow would then become as potent and as real a force as nationalism of yesterday."

This is truly a remarkable study by Evan Luard. It is bound to broaden the vision of the reader and change his entire perspective. The reader will certainly become more conscious of the vast international problems confronting the mankind which if not solved at the international level may eventually mean the doom of us all. The reading of the book will help, at least to a certain extent, replacing of nationalism by internationalism in the minds of men. The book is a must for every student of social sciences.

PERFORMANCE BUDGETING

Since nationalisation, Indian commercial banks have multiplied their activities in volume, variety and in regard to geographical coverage to meet the growing needs of the society. Since the quantitative dimensions of the new tasks have assumed almost unmanageable proportions, this has led to the adoption of business planning by almost all commercial banks in India. It has come to be realised that each public sector bank should have a performance budgeting system to translate its objectives into meaningful and feasible action programmes and to ensure that such programmes are implemented and objectives realised.

The prevailing system among commercial banks is found to be full of defects. For example, fixing of the growth rate of deposits is neither rational nor correct. It is done on *ad hoc* basis. Also targets for priority sectors are often unrealistic. There is no sense of involvement among employees and bank officials as all decisions come from head office. And there is much window-dressing on the eve of every yearly closing. It was as a reaction to this state of affairs that it was decided to instal in public sector commercial banks in India "a well integrated system of performance budgeting by each bank at each level of organisations based on planning the business from the grass-roots, i.e. the bank branch."

The growth and diversification of the banking system in India appeared to be inadequate and deficient in many respects. The banking system was found to be concentrated in only developed regions of the country; it was concentrated in urban centres *vis-a-vis* rural areas; it was heavily concentrated in the metropolitan centres even among developed regions of the country; the system was mainly found to be serving a handful of large and medium-scale industries and wholesale traders; and the boards of management were not properly constituted lacking as they did representation of all the interests and professional expertise; there was also often link-up between industry and banking.

The new banking policy in India according to the author of *Performance Budgeting for Commercial Banks of India* aims at geographical diversification, sectoral diversification and functional diversification. In terms of action plans, geographical diversification implies (a) opening of relatively more branches in unbanked areas; (b) reducing disparity in inter-state credit-deposit ratios; and (c) decentralisation of bank credit from metropolitan centres to semi-urban and rural centres in each state. Sectoral diversification implies making available greater percentage of bank credit to hereto neglected sectors like agriculture, small-scale industries, retail trade, exports, small business, road transport operators and so on. Functional diversification implies that (a) validity and purpose of loan is more important than security; (b) lending should be need-based; (c) besides working capital, term loans should also be given; and (d) banks should act as a catalytic agent of growth.

business planning

It is clear that since banks have to do many more things than merely mobilising community's savings, the head office of each bank can ensure proper execution of new policies only by introducing the system of business planning i.e. performance budgeting. Once the top executives in the head office determine their multi-dimensional goals, they are to translate these goals in budget figures of advances and deposits or opening of new branches in each region, in consultation with regional managers, on the basis of factual information supplied by the latter. Similarly regional or zonal managers will have to assess the business potential of their regions on the basis of data and information supplied by their respective branches and supplement it by their personal impressions about additional business potential in the area by opening new branches. It is clear that in this process the foundation budgets are provided by bank branches and the whole budgeting process is pushed up from bank branches to their regional offices and through them ultimately to the head office. Once this is done, the head office may use such budget as a control leverage on regional offices and the latter in turn would measure the performance of branches in terms of their respective budgets.

function of branches

Having explained what performance budgeting at the head office level means the author has emphasised that though in the ultimate analysis, it is the branches which would be preparing their own respective budgets based on their environmental potentialities, it is, however, the head office and regional offices that must convey to branches the broad organisational goals and their expectations. The author naturally has given a great deal of attention to performance budgeting at the branch level. The branch office will have to prepare performance budgeting taking into account factors such as staff involvement, environmental conditions, people's needs and aspirations, capacity, experience and experience of the staff, and so on. Performance budgeting by a branch office would thus mean 'a self-prepared objective blue print' of the intention of the branch to convert the existing or perceived business potential and possibilities into actual business (deposits, advances, etc) within specified sets of strategies and within specified time.

The author has explained in detail the various steps involved in preparing performance budgeting at the branch level steps such as determining the command area of the branch, classifying the existing customers, past behaviour of existing customers, estimating accretion of new business, dividing geographical area into smaller subdivisions based on different products or service, classification of cus

ers on occupational and other relevant asis, analysis of the chances of new acti- ities on the basis of available expertise nd so on. The author has provided etailed guidelines as to how every one f the above aspects should be analysed. Any branch manager can easily follow hese guidelines and instructions.

The author has made it clear that per- ormance budgeting is not a one-shot ffair. The whole system of performance udgeting is rolling in nature and would ave to be taken as an on-going exercise.

Mr Singh has provided detailed tables nd classifications to enable the bank fficials to have a complete grip over the ubject of performance budgeting. The ase studies provided by the author at the nd would clear any doubts left about performance budgeting.

The book is probably the first of its kind in India on the subject of perfo mance budgeting and certainly the one that has dealt with the subject exhaustively and in a masterly manner. There is in this book a fine blend of theory and practice of performance budgeting. The book will be found extremely useful by all those who are concerned with commercial banking. It is high time that all the commercial banks in India adopted performance budgeting so that the ground to be covered by them in future is properly charted and regular review is undertaken of the performance of banks in the light of the plans prepared in advance.

FATHER OF INDIAN SHIPPING

The Scindia Steam Navigation Company has brought out a commemorative volume, *Narottam Morarjee—Architect of Modern Indian Shipping* to mark the birth centenary of its founder, Narottam Morarjee. A number of distinguished persons have contributed their reminiscences and paid tributes to Narottam Morarjee. These articles by distinguished persons throw a flood of light on the great personality and the unique achievements of Morarjee.

Narottam's best known contribution to our nation has been in the field of shipping. As is well-known, having had a glorious past, Indian shipping had almost ceased to exist by the middle of the 19th century due to unfavourable policies adopted by the British government. As Gandhiji wrote: "Indian shipping had to perish so that the British shipping might flourish."

Many attempts were made by Indians to float shipping companies towards the closing decades of the last century and beginning of the present century. But the British shipping interests and the government of India together saw that all such attempt were scotched. It was under such adverse circumstances that Narottam Morarjee established the Scindia Steam Navigation Company on March 27, 1919 and the first Scindia ship 'Loyalty' sailed from Bombay to London on April 5, 1919, unfurling the flag of the Indian merchant marine on the high seas. When Scindias purchased more ships and started operating them on coastal trade, the British shipping interests launched an all-out freight-war. But Narottam Morarjee by boldly handling the situation met the challenge successfully and the Scindias managed to survive through extremely difficult times to be reckoned as a force to contend with.

man of vision

Narottam Morarjee was a man of vision. His approach to Indian shipping was integrated and he always thought of shipping along with its vital infrastructure. His firm belief was that Indian shipping would be successful only if and when Indians could repair and build ships and establish adequate facilities for training sea-going officers and personnel. With this end in view, the Scindia Company started recruiting young men for training as marine engineers and navigating officers on board their ships. It is well-known that Morarjee also fought successfully for the establishment of the first training ship in India, namely 'Dufferin'.

Natrottan all along nurtured the idea of establishing a shipping yard under the aegis of the Scindia Company, though the project could materialise only as late as 194'.

It is seen that the period 1919 to 1929, when Narottam Morarjee was the chairman of the Scindia Company, was full of challenges and crises and Narottam met all of them with determination and vision "always mindful of national dignity and interests."

The book contains a number of articles throwing light on various aspects of the personality of Narottam Morarjee. We are told how with tutors like G.K. Gokhale and Chandavarkar, Narottam developed progressive and nationalist outlook. He always strove to bring about cordial employer-employee relations by taking prompt steps to redress the latter's legitimate grievances. He was a pioneer in voluntarily introducing various welfare schemes in his Sholapur mill such as provident fund benefits, subsidised rationing and canteen amenities, dispensaries, creches, bonuses—all of which were virtually unknown in contemporary Indian industries. May be his close association with Gandhiji was responsible for these measures.

touching tribute

Sumati Morarjee, the daughter-in-law of Narottam Morarjee has paid a touching tribute to her great father-in-law. She has told us how Narottam was not actuated so much by the desire to earn money as by the urge to serve the national interests; how the house was full of guests which often included eminent persons like Motilal Nehru, Dr Annie Besant, Gurudev Rabindranath Tagore, Dr Visvesvaraya, Pandit Madan Mohan Malaviya and Sarojini Naidu; how, though Narottam did not possess academic distinctions, he was still a man of deep culture and felt at home among the learned; and how the sapling of Scindia planted in 1919 has today grown into a huge banyan tree sheltering and providing livelihood to about 5000 families and contributing enormous wealth to our nation.

Jamnadas Dwarkadas has told us how Narottam Morarjee used to be ahead of his times and how as an industrialist was full of humane qualities. C.H. Bhabha has explained how while Jamshedji Tata established the steel industry in India, Narottam Morarjee laid the foundation of India's modern shipping industry. He has rightly called Narottam 'The Father of Modern Indian Shipping'. He has however warned that though India

ranks today 16th or 17th in the list of countries in respect of shipping tonnage, the struggle against foreign shipping rings and interests is not yet over and India has yet to go quite far in respect of shipping industry and service. Premlila Thackercy has told us how G.K. Gokhale had great faith in Narottam and how Narottam put into practice the idea of trusteeship long before Gandhiji started preaching it. Tributes paid by a number of other eminent persons telling us how Narottam provided dynamic leadership, how he thought ahead of his times, about his friendliness towards great and small and so on are all touching.

Extracts from Narottam's speeches delivered from 1920 to 1927 given in the chapter entitled "The Chairman Speakes" in fact encompass the history of the development of Indian shipping and the vicissitudes through which it had to pass.

The veteran biographer N. G. Jog has done well in bringing out this excellently edited book. It contains choice articles from eminent persons and selected extracts and photographs throwing abundant light on the personality and activities of Narottam Morarjee. We find that Narottam's is one of those exceptional cases where personal history of an individual gets completely merged and identified with the history of an institution, namely Indian shipping. It may truly be said that Narottam Morarjee left his footprints on the sands of time!

FOREIGN AID

The idea of writing *Foreign Aid to India* arose in the mind of the author when he was an officer in the Ford Foundation office in India. It was then felt that "The concept of foreign aid and particularly the US aid to India, striving for peace, stability and prosperity had the potential for the preservation of human life and human society." But the author found that in course of time the US aid programme gradually became a potential source of conflict. He found that the US aid programme "was a mere feeding programme and as such was either arresting or reversing the development and progress of India so painstakingly achieved." It was noticed, according to the author, that the relationship of 'equality' between India and the United States was incompatible while the US was aiding India with PL 480 surplus foodgrains. This mutual cooling of relations between India and the USA led to the gradual and cordial relationship and association between India and the Soviet Union. The author is of the opinion that this change in the attitude of India also coincided with the Soviet interests and therefore strengthened the bonds of relationship between the two countries, eventually culminating in the Treaty of Peace, Friendship and Cooperation between them.

The main reason of the failure of US aid to India was America's 'superiority complex'. The US aid not only did not lead to relaxation of tensions between India and Pakistan but actually resulted in confrontation between the two countries. No wonder, India and a number of other Asian and African countries which were the major recipients of the US economic aid came in course of time to recognise Soviet Union as a stable and reliable friend. This led to the diminishing influence of the USA in south Asia.

various aspects

The author has made an attempt to explain various aspects of the problem such as what is foreign aid, nature and purpose of the US aid to India, the Cooley loan programme and the termination of US aid to India.

In the last chapter the author has made an attempt to explain what went wrong with the US aid to India. The total quantity of foodgrains supplied by the United States since 1951 exceeded 60 million tonnes; besides the United States provided nearly 23 per cent of India's total national investment for the development of industries in the public sector; and lent its technical know-how in agriculture, education, health and family planning. About 60 per cent of the total foreign aid to India came from the United States. What then went wrong with all this? According to the author, "the United States behaved as a self-styled big brother in the affairs of India, while the Soviet Union took every advantageous opportunity in its favour since February 1955."

While American experts in India seemed to be 'sensible and friendly people', they were tempted to play the role of demi-gods in all the aided countries. Some of them pretended to be omniscient. The US experts unconsciously advocated that India must emulate the models of the United States—its form of government, fiscal policy, tax laws, private investment pattern, national highway system, educational system and public health services. Adoption of the US models in all these spheres was a precondition for receiving of US aid. The US failed to realise that with different social, economic, cultural and linguistic mosaic of life, no magic American formula could fit well into the Indian environment. The American experts in India, sent with a brief course in Indian history and culture, lacked adequate knowledge of Indian conditions, traditions and aspirations. The US aid to India was not tailored to fit the environmental situation and cultural values of those for whom it was meant.

political controversy

Apart from these things, tying of the US aid resulting in unfavourable terms of trade, political controversy that came to surround US aid, the demonstrative American presence in countries aided by them, misuse of the privileges by the American experts in aid-receiving countries, their ostentatious and arrogant living style and the blatant efforts by the US government to drag the aid-receiving nations on their side against their potential adversary, the USSR—all angered the sensitive people of Asia and Africa and drove them into the arms of the Soviet Union whose role in respect of foreign aid appeared to them less ostentatious and aggressive and more in tune with their needs and aspirations.

The author who has had a great amount of experience here and abroad in the field of the US aid to India has certainly put in a great amount of effort in writing this book. He has collected vast amount of material and details regarding US aid to India. But unfortunately he has completely failed to marshal his facts and figures in a logical and coherent way. Different topics have got mixed; tables often have no relevance to the discussion on hand; and the numerous quotations reproduced in the book often appear out of place. Above all almost each of the six chapters lacks focus

and the rambling style of the author often makes the reader wonder where he is being led. With a little more planning and care in drafting, the value of the book could have been considerably enhanced. As it is the book is most exasperating and disappointing.

PRODUCTION FUNCTION

'Production Function' is a mathematical expression which sets out to tell you, "if you have so much capital and so much labour, how much product you can expect to get from it." Prof. Colin Clark in his lecture delivered under the auspices of the Economic and Scientific Research Foundation, New Delhi. maintained that in advanced countries "capital investment has been proceeding at a high level and it has been accompanied by a remarkable shift in the distribution of the product in favour of labour." According to Prof. Colin Clark, this had something to do with the elasticity of substitution between capital and labour. In *Production Function in Indian Economy*, S. Hajra and Ashok Kumar have set out to examine both these issues as well as some more related ones in the context of industrial growth and conditions in India. It must however be understood that this production function appears to have some restrictive features such as homogenous of degree one, constant elasticity and perfectly competitive factor and product markets. In course of time, various mathematical extensions of this function covering these restrictive features have been formulated. And yet the empirical evidence regarding these matters still is in the elementary stage and one would not be far wrong if one questions the practical utility of these recent sophistications.

As is well-known, with the adoption of economic planning in India, it come to be realised that industrialisation would have to play a leading role and therefore certain guidelines should be provided for this purpose. Towards this end industrial policy resolutions of 1948 and 1956 were passed. It was also felt at that time that industrial peace was an essential prerequisite for the speedy growth of industrial production and to ensure industrial peace certain labour laws were enacted during this period. Some observers conversant with the changing economic climate in the industrial sector of the country were of the view that due to such labour laws "industries might have opted for more mechanised methods of production than what might be warranted by the original resource endowment in the country." George Rosen for example commented on this feature observing that "the whole trend of wage and labour policies in India had narrowed the management's effective area of control over its labour force and over its labour cost relative to its returns."

labour saving devices

It is quite possible that this might have encouraged the introduction labour-saving machinery in expanding of old units and while establishing new units and to some extent even in non-expanding units. Further, the authors opine that some other circumstantial factors such as accumulation of reserves by management and availability of capital at relatively low rates of interest from the newly set up public financial institutions might have also encouraged the use of relatively more capital intensive techniques in industrial units. According to the authors all this might have happened because "the cost to an entrepreneur of labour and capital respectively proved to be higher and lower than their real cost to the economy."

Prof. Malenbaum has also suggested that "social legislation in poor countries sought to establish a minimum wage which might be above a labourer's marginal product and this could accelerate the tendency towards capital intensiveness." According to him, there is evidence that such a development has taken place in India. In this country labour cost seemed to have increased more than capital costs without corresponding rise in relative productivity of these factors and on that account Rains and Fei have also asserted that "almost from the outset India embarked on a policy of capital deepening in her industrial sector."

According to the authors of this book the coefficients of variation of capital-labour ratio and rate of return in Indian manufacturing industry increased during the period 1947 to 1958. In the case of capital-labour ratio, it increased from 47.51 per cent in 1947 to 50.91 in 1952 and 61.83 per cent in 1958, while in the case of rate of return it increased from 71.03 per cent in 1947 to 80.80 in 1952 and 92.90 in 1958. This, according to the authors, would mean that "in the manufacturing sector in India, substitution of capital for labour might have been quite significant." The value of elasticity of substitution of capital for labour in the case of majority of industries in India between 1947 and 1958 could be between two and three and even higher in the case of some industries.

Above findings of the authors have grave policy implications. While unemployment of labour is on the increase and while labour-intensive techniques of industrial production are being insisted upon, unfortunately in the field of labour legislation such a policy is being followed as would defeat the very objective resulting in increasing substitution of capital for labour and increasing unemployment among labour. This would mean that uncritical labour welfare measures and legislation would be self-defeating and the true way out of the difficulty would be to take steps to increase productivity of labour along with increases in their wage rates. Solution to the problem of unemployment is much more complex than what appears superficially and this study indicates by implication the steps that will have to be taken to solve the problem.

All about poultry industry

Indian Poultry Industry Yearbook 1976-77; published by Shakuntala P. Gupta, 2C/34, New Rohtak Road, New Delhi-110008; pp 424; Price Rs 50, foreign US $ 15.00.

Reviewed by **S.P. Chopra**

THIS IS the third edition of the yearbook. Its chief merit is that it presents information collected from numerous sources, and it also shows how much needs to be known about this relatively neglected industry. For instance, it is stated that the total egg production in 1976 was around 9,290 million—about 15 per head. And the expected increase in 1977 is about 25 per cent. Estimates are given of the cost of each egg and the price at which it should be sold.

Divided into five sections, the yearbook

under reference gives a general outline of the industry in our country along with comprehensive statistics, reviews, and details of poultry diseases, followed by a section on technical problems, a directory of poultry farms, who's who, and ends with a section on international agencies and country reports.

The effort involved in preparing the yearbook is indeed stupendous. It will be found useful by all those who have active interest in this sector of the country's agricultural economy.

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Manager

Bright prospects for battery industry

The Packaged Power

R. C. Ummat

EVEN THOUGH the long-term prospects for both the dry and storage battery industries are quite promising owing to their low consumption currently and also in view of the growing mechanisation of agriculture and the ambitious plans envisaged for the development of the consumer electronics industry and the public transport system, these industries undoubtedly have been passing through a good deal of travail in the recent past. The capacity utilisation in the dry battery industry—although it has improved somewhat since the sharp setback it suffered in 1975 when it fell to around 40 per cent—does not at present exceed 45 per cent. As regards the storage battery industry, the situation is only slightly better with the overall capacity being utilised to around 60 per cent.

The Output

In physical terms, the output of dry batteries from the 12 units engaged in this line of manufacture with an installed capacity of about 1,310 million cells per annum, fell in 1975 to as low as 520 million cells, after registering a steady increase from 603.7 million cells in 1971 to 631.8 million cells in 1974. The production of storage batteries in 1971 was of the order of 1.15 million numbers. It had gone up to 1.41 million numbers by 1975. Currently, the output in the two industries is reported to have improved to about 565 million cells and 1.5 million numbers per annum, respectively.

Storage Batteries

But whereas the installed capacity in the dry battery industry has gone up during the last six years only marginally from about 1,231 million cells to 1,3 0 million cells, that for the storage batteries has increased substantially from nearly 1.3 million numbers to over 2.3 million numbers. This is the reason of widespread underutilisation in the latter industry despite the demand for its products going up in a larger measure than for dry cells.

The near-stagnation in the installed capacity in the dry battery sector obviously has been due to the fact that the demand for dry cells has not picked up according to the expectations on the basis of which the draft fifth Plan had put the 1978-79 production target at 1,300 million cells from a capacity at 1,700 million cells. The target of production fixed for storage batteries under this draft Plan was 1.6 million numbers of automotive batteries alone for the production of which the installed capacity was to be raised by 1978-79 to two million numbers. No targets were fixed for the manufacture of train lighting cells, stationary cells, traction cells and miscellaneous storage batteries. But taking into consideration that the licensed capacities in these lines of manufacture at present are of the order of 2.74 lakh numbers, 2.17 lakh numbers, 38,300 numbers and 2.3 lakh numbers, the total demand for storage batteries to be catered for by the end of the current Plan period was of the order of slightly over two million numbers.

Insufficient Demand

The present woes of the dry and storage battery industries obviously have their genesis in insufficient demand. The demand for dry cells, as mentioned earlier, went down steeply in 1975 thanks to the sharp increase in the incidence of governmental levies and taxes during the first half of the current decade and steep erosion in the purchasing power in the hands of the consumers due to the accentuation of inflationary tendencies in the economy, particularly after 1973. The automotive battery sector suffered a sharp fall in demand consequent upon the production of cars going down drastically, following the oil price hike in 1973 which compelled the central government to step up the excise levy on petrol.

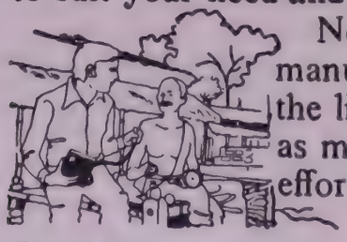
The Switch-over

To some extent, the rigours of the recession in the car manufacturing industry, however, were mitigated by the switch-over to scooters and mopeds as a means of personal transport and the emphasis that came to be placed on the development of public road transport. The defence requirements too have been kept up at a fairly high level. So also those of the railways, the mining industry and the telephone industry. The revival in the demand for cars last year has also helped in improving the demand for automotive batteries.

To some extent the stepping up of the export effort by the manufacturers has countered the recession in the domestic market. The exports of dry batteries, which were of the order of about Rs 88 lakhs in 1973-74, had gone up to approximately Rs 190 lakhs last year. The export endeavours of the manufacturers of storage batteries have been much more significant. Exports of storage batteries went up from Rs 192 lakhs in 1973-74 to Rs 456 lakhs in



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974-75 and currently exceed s 550 lakhs per annum.

An further significant expan-on in the two industries pparently is not likely to aterialise unless demand picks p markedly, notwithstanding he fact that several industrial cences as well as letters of ntent have already been granted or the expansions of the exist-ng units or for the setting up f new ones. More urgent is he problem of stimulating emand.

The demand for dry batteries an revive only if their prices an be reduced significantly nd the major contribution o this can be done only by the overnment through reducing the excise burden which was stepped up in the early part of this decade to contain the demand. To some extent, the more effective implementation of the programmes for the manufacture of such electronic products as cassette tape-recorders, pocket calculators, etc, can also be helpful, but revival of demand for transistor radios can go a long way in the immediate future. There is still a vast rural market to be tapped in this regard, notwithstanding the fact that rural electrification will also be having some impact on the demand for battery-based radios. It is encouraging to note that the Finance minister, Mr H.M. Patel, has heeded to the plea of the decentralised sector in the radio manufacturing industry for continuing exemption of low-priced radios from excise duty. The exemption of low-priced radios from the broadcast receiver licence can also help in expanding the market for them.

The dry battery industry also should do well in continuing its export effort. Although imports of dry cells are banned in many countries because of indigenous production, yet there should be a sizeably growing demand in several developing countries in our neighbour hood, particularly in west Asia. Aggressive salesmanship in these countries can yield useful results.

The storage battery industry, of course, can look forward to a gradual improvement in demand even otherwise as constraints on this demand, except in the automobile industry, are not as rigorous as in the case of the dry battery industry. The export prospects for this industry too are much more promising than those for the dry battery industry. The manufacturers in this line, of course, need to step up their research and development effort with a view not only to augmenting the production of storage batteries for specialised applications but also to containing production costs and more efficient use of the input materials.

Dry Batteries Need Tax Relief

THE DRY battery industry had ts inception in India in the year 926 when the first cells were roduced in a small factory in Calcutta by the Ever Ready Company, the forerunner of he present Union Carbide ndia Limited. Since then, ocal production steadily in-reased to meet the demand of ortable power primarily for orches, and to a small extent or use in telecommunication nd radio appliances.

With the advent of the ransistor radio revolution in 968, dry battery consumption ncreased rapidly from a level f 344 million in 1968 to 444 illion in 1970 and 638 million n 1972. Based on this buoyant emand and a 1968-69 demand orecast by the Planning Com nission, several new manufac-urers entered the industry and he indigenous installed capa-ity was increased to 1,300 illion by 1976.

Unfortunately the demand stagnated between 1972 and 1974 at around 635 million and suffered a severe retreat in 1975 to 543 million due to several recessionary forces. A very steep increase in the incidence of government levies and taxes accelerated the cost/price inflationary spiral at a time when consumer purchasing power was severely eroded due to general inflation in the 1973-74 period. An example of the increase in levies relating to a standard R20 torch battery is given below:

	Taxes-Paise per Battery	
	1970	1976
Excise duty	9	28
Import duties on raw materials	2	23
Sales tax	5	11
	16	62
	288% Increase	

If demand trends, as reflected by recent production figures continue, full utilisation of capacity is unlikely to be realized even after five years.

As a consequence, the industry, with an investment of about Rs 50 crores and an employment of 12,000 has more that 50 per cent idle investment and commensurate unutilized employment potential. Some of the units have closed down and some others are incurring continued heavy losses.

Prospects of augmenting demand through development of exports is limited because nearly 60 countries have their own manufacturing programmes and have banned imports of dry batteries. Moreover, low international prices render exports an unprofitable proposition, in spite of government subsidies.

Price escalation in the dry battery industry, as a result of cost increases related to progressive stepping up of government taxes and improved movement in raw material costs, is diverting electrical energy requirements for transistor radios to the other alternate source—mains. Demand for battery eliminators in the country is now significant enough to have warranted manufacture by the large-scale consumer electronics industry.

Future Prospects

With current per capita consumption much lower than that in countries with similar economic conditions, such as Ceylon and Bangladesh, the potential for growth in dry battery demand in India is very high. The realization of this potential will depend on (a) cost/price reductions through reduction in government taxes, and (b) growth of the battery end-use equipment demand

specially in the area of consumer electronics.

The indirect taxes on dry batteries aggregate to 65 paise per battery which is 80 per cent of manufacturing cost (relating to the mass-consumed paper jacket batteries).

An appreciation of this abnormally high incidence of taxes was reflected in the 1976-77 union budget by a selective reduction in excise duty by five per cent (from 25 per cent to 20 per cent) on metal clad batteries, which however constitute only about 13 per cent of total consumption of dry batteries in the country. Being an essential commodity of mass consumption, the excise duty on finished dry batteries should be reduced from the existing 25 per cent to 10 per cent in line with other consumer products, like razor blades, household and laundry soaps, toothpastes, etc. Such a measure would significantly help revival of demand. As a sequel, the utilisation of the capacity of the industry can go up from 50 per cent in 1977 to over 75 per cent in 1979. The loss of excise revenue would be more than offset by increased revenue on a larger volume and from the duties on input materials, thereby resulting in a net revenue increase for the government by an estimated 12 per cent.

The only major non-electronic equipment currently contributing to dry battery demand in India is the portable flashlight—a rural based product progressively losing ground as rural electrification takes place. So, at best, intensive industry marketing efforts for the product can maintain the past growth trends.

The key to accelerated growth in dry battery demand lies in broadening of the consumption base, through growth of the consumer electronic market in the country. The importance given to development of the electronics industry in India therefore is of significance.

Since transistor radios are currently the single largest source of dry battery demand, and will continue to be so in the foreseeable future, some of the observations/recommendations of the Electronics Commission having impact on the growth prospects of transistor radios usage are reviewed below:

(a) Based on the UNESCO recommended figure of one radio per family, there is a large gap between the current ownership and the potential market. Since urban and rural ownership as a percentage of population is around 50 and five respectively, demand stimulation is to be done to cater for the rural areas.

(b) The reasons for the present slump in the radio industry seem to be a combination of factors such as lack of penetration of rural markets and difficulties in bringing down the prices any further.

(c) For facilitating distribution in rural areas through a wide dealer network, there have been suggestions that the broadcast receiver licence should be abolished.

(d) It is suggested that the state electronics corporations can buy the components in bulk and supply them to the small-scale radio manufacturers for assembling and the marketing could again be done by the corporations themselves.

(e) Investment of Rs one crore is envisaged for state

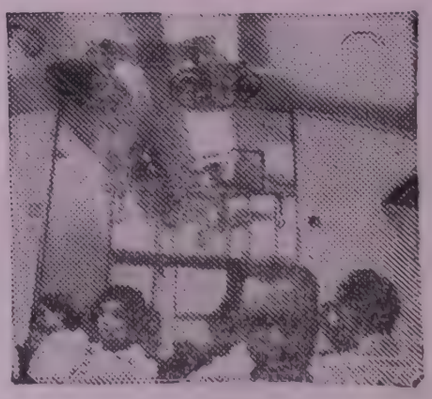


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gencies for rural market pro-notion to reverse the declining end in the offtake of radio ceivers.

If these recommendations nd observations are acted pon, together with the current overnment policy of rural nd employment - oriented pproach to industrial develop-nent, there is little doubt that rowth in the transistor radio emand will be accelerated.

Cassette tape-recorders, poc-et calculators and electronic vatches are other major end-se equipment whose growth vill determine the future trends n dry battery demand. These re expected to become mass-onsumed items when their prices fall in line with inter-national levels—existing trends in cassette recorder and calculator prices are very encouraging in this regard. In the electronic watch market, one fails to understand the low priority given to the industry for catering for the domestic market needs. With a large gap in indigenous manufacture and demand for watches, there seems little justification for making an exception of this product in the government's overall programme of intensive development of the electronics industry in the country.

Technological Developments

Recent developments in end-use appliances have been coupled with tremendous technological improvements in dry battery production. Although dimensional characteristics have undergone marginal changes, service characteristics have been enhanced to keep pace with the progressive sophistication in consumer electronics industry in the country.

Dry battery technology in the country responded to the transistor radio revolution, and the concomitant consumer needs emerging from it, by the development of transistor batteries—to meet the requirement of low current drain for continuously long periods.

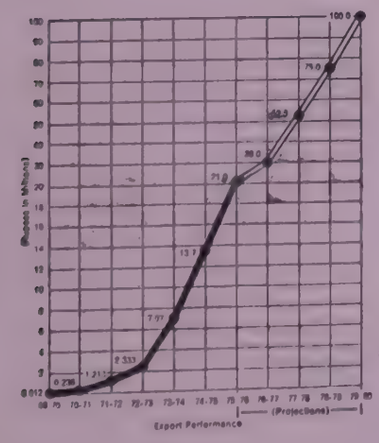
The user of the transistor radio and other expensive electronic gadgets, also looked to dry battery technology to provide "leakproof" batteries to meet the need for equipment protection. However, the construction of a "dry cell"—the name is a misnomer—is such that the zinc container itself gets used up in the current generation process and ultimately the acidic effluents "leak". Battery technology to-date has succeeded in containing the leakage during use, thereby preventing equipment damage by developing non-corrosive barriers of various plastic materials or metal jackets around the zinc container.

The emerging market for cassette tape-recorders, record players, calculators, toys and other similar devices requiring heavy current drain

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2270 Traction Batteries valued over Rs. 26.5 Million to be shipped before October 1977 to the USSR — the sixth successive order!

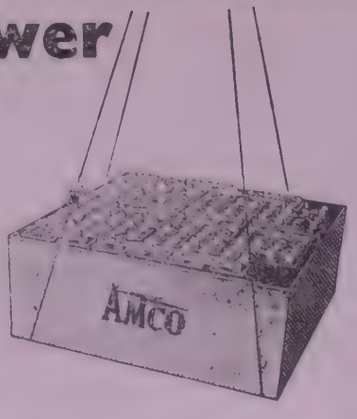
And more — a long-term contract signed for supplying atleast 6000 more such batteries in 3 years valued at nearly Rs. 80.0 Million.

This is indeed a tall order for over Rs. 106.5 Million from one source!

— in fact the tallest order for any battery company in India!!

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Bangalore

have led to the technological development and commercialization of "heavy duty" dry batteries also widely known as dry "motor" batteries, in the country. This track record certainly lends a lot of faith in the technological abilities of the industry to develop and introduce new battery systems such as zinc chloride, miniature alkaline, lithium, etc., as and when the consumer electronics industry in the country defines a need for it.

The dry battery industry's current problem of excess capacity will get resolved with the implementation of the government's programmes of development of the consumer electronics industry in India, specially in the area of radio receivers. Since viability of the dry battery industry needs to be maintained not only for utilisation of invested capital and employment potential, but also in support of the electronics industry, the government should seriously consider providing immediate relief to the dry battery manufacturers by reducing the level of indirect taxes to realistic levels. Given this viability, the industry can be expected to meet the technological demands made on it with the progressive sophistication of the consumer electronics industry in India.

Chloride India's R&D Efforts

INDIA TODAY has the third largest scientific and technical manpower pool in the comity of nations, the first two being the United States of America and the Soviet Union. So reports a UNESCO survey. And this pool is growing and maturing every day!

India is not lacking in energy resources either, at least in so far as packaged power energy is concerned.

At this crucial phase of India's developing economy, when the entire country is poised for major technological breakthrough in every industry, the increasing importance of rechargeable packaged energy cannot be overemphasised. In agriculture, power, telecommunication and transportation infrastructure, rechargeable storage batteries, as vital building blocks, will not only be in greater demand but will also be required to meet the complex new demands to be brought about by the thrust of accelerating technology.

No Spoon-feeding

India's technical competence can match the world's best. Nevertheless an easy access to the international technological pool must be regarded as a sensible proposition. The frontiers of science are neither politically nor geographically determined. Each nation can, if it so desires, profit from the knowledge of others. If not, we would be stepping backwards and will have to start again from ground level.

Exacting Demand

As India seeks to carve out a niche for herself in the global industrial structure, the demand will be more exacting on technology to serve the interests of the nation. Technology can be a dynamic force only if its quality is continually improved upon by research and development. Thus, research and development activity is not to be engaged in as a matter of corporate ego satisfaction or as a fetish, but as a way of life essential for the industrial society. There lies the raison d'etre of Chloride's research and development centre.

The company's major thrust has always been directed towards import substitution in plant, equipment, material and components.

Through advanced process technology, Chloride India has already achieved an optimum balance between imported and scarce metal input and service life output. All types of batteries—stationary, heavy duty, traction trainlighting, signalling, tractor, automotive, miner's batteries, etc., made by Chloride India, have contributed significantly towards saving of foreign exchange while maintaining very high reputation for durability and reliability.

Own Requirements

The company's own requirements of sophisticated equipment and tooling are now being met to a considerable extent by the company's own machine shop and also by other ancillary units, under the technical guidance of the Chloride group and Chloride India research and development team.

Import substitution, however, is a continuing feature and Chloride India's research and development scientists and technicians are not resting on their past laurels. A new major import substitution project—that of developing a special type of battery separators indigenously —is on the anvil, which will not only result in significant savings in foreign exchange but also generate substantial export earnings.

Export-worthy Products

Chloride India's exports have already increased from Rs 83 lakhs in 1971 to over Rs 300 lakhs in 1976 with customers spread over 30 countries. In addition, the company has the largest share of indirect exports of storage batteries through export of trucks, buses and tractors by the original equipment manufacturers.

Chloride India's research and development centre will be developing special rechargeable batteries for Japanese vehicles exclusively for export to the highly competitive international market. The company has just received the letter of intent from the government of India for setting up of a 100 per cent export unit for five lakh batteries in a notified backward area in West Bengal. The export earnings from this project alone will exceed Rs 4 crores per annum.

The company has made a pioneering effort in producing highly complex and sophisticated batteries for the first time in India. In stationary application, the company is the first

to have produced up to 5,000 ampere hours capacity batteries for telephone exchange and telecommunications. The company has also developed and will be in the process of developing highly specialised batteries for defence application—torpedo cell, special aircraft battery, tailor-made tank battery, high precision signal battery, etc. In line with the trend all over the developed countries, the company has pioneered the deveploment and manufacture of the new generation polypropylene battery from its Pune factory, which gives a better performance and yet uses lesser quantities of lead.

Challenge of the Future

Development of silent and pollution-free battery powered vehicles for congested city transport is on the agenda of the research and development centre of Chloride India on a priority basis. Even more futuristic research is in the field of a new electrochemical couple of sodium sulphur, two relatively cheap and plentiful chemicals with the potential to store five times as much energy as the traditional lead-acid battery. The commercial development of this is on the agenda of the Chloride group's central research and development centre in the United Kingdom. The solar cell for standby duty at unmanned microwave stations in a country of bountiful sunshine like India is yet another exciting project being looked into.

The main thrust of the Indian research and development centre's work programme will be towards applied research, fundamental research will form about 20 per cent of the programme. The centre will have its feet firmly entrenched in the soil with its head held up high in the air.

The research programme will be conducted under the following broad disciplines:

—electro chemistry,

—metallurgy and metal science,

—polymer chemistry,

—physical chemistry,

—energy science.

For optimisation of resource allocations, individual projects grouped under applied and fundamental research will be coordinated with the activities of the principal R&D centre of the Chloride group in the UK.

'Engineering and Project' activities will cover the development of special purpose machinery and tools for the company's product development diversification.

Chloride India has been in the technological forefront of the Indian battery industry for nearly three decades by virtue of its high quality products. This has been possible because of the excellent technical support extended by its collaborators—Chloride Group Limited of the UK which is the largest and the most successful rechargeable battery company of the world and spends millions of dollars on research and development.

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TRADE WINDS

New System for Iron Supply

THE GOVERNMENT has decided to introduce a new system for the supply of iron and steel products to actual users on an experimental basis. Under the new system the steel plants and the sales department of Hindustan Steel Limited (HSL), Calcutta, will supply a minimum of one wagon load directly to consumers with private sidings. The products to be supplied include steel plates, structurals and hot as well as cold rolled coils and sheets.

The new system does not cover traders, who will continue to take their supplies from the stockyards. As a measure of help to consumers who normally take their requirements from the stockyards, the government has decided to charge stockyard prices after deducting the handling expenses of the stockyard. The government's decision to introduce the new system of direct supply to actual users follows persistent representations from various industrial units and associations in the country regarding the difficulty experienced by them in buying their requirements of iron and steel from the stockyards.

Second Indian Engineering Trade Fair

The Association of Indian Engineering Industry (AIEI) representing the total engineering sector, has announced that the Second Indian Engineering Trade Fair will be held in Pragati Maidan, New Delhi from February 2 to 13, 1978. The AIEI is holding this, the second trade fair, just two years in advance of the time target set for engineering exports to reach Rs 1,000 crores and is an important effort in strengthening the industry's international marketing drive.

Main Aim

Whilst the main aim of the fair is export promotion, it will also bring together Indian buyers and manufacturers, thus helping in improving capacity utilisation in the engineering industry. The AIEI adds that the trade fair will aim at promoting exports of engineering products as well as a wide range of technical services. It will also present the capability, sophistication and diversity of Indian engineering products as well as technical services in the public and private sectors in the large, medium and small industries.

The AIEI will be organising visits by delegations and buyers from many countries—special emphasis is being placed on inviting buyers from west Asia, south east Asia, Africa and other developing countries. It will be arranging visits of prime contractors and consultants from industrialised nations as well of purchasing authorities of the central and state governments from within the country. Special industry days will be organised through seminars, conferences and workshops. Industry films projecting sectoral and company achievements, technology and product range will also be screened

The first Indian engineering trade fair, organised by the AIEI in New Delhi in February 1975, resulted in business enquiries to the tune of Rs 44 crores, of which Rs 10 crores related to export. In addition to business generation and image projection, the first trade fair led to an aggressive, result-oriented trade mission programme by the AIEI to 18 countries in Africa, west Asia and south-east Asia. As further substantial strides have been made by the country in the engineering field since the first trade fair was held in 1975, the number of undertakings participating in the second trade fair is expected to be much larger. On display will be not only consumer durables but also highly sophisticated machinery and equipment now being manufactured in the country, both in the public and private sectors.

Export Target

With intensive marketing in old as well as new buying countries, engineering exports have already attained the preeminent place on the national export front. In 1976-77 the engineering industry exports were valued at Rs 552 crores. The target set for 1977-78 is Rs 650 crores. The trade fair in 1978 should help in contributing to a substantial increase in exports in 1978-79. The industry believes that the target of Rs 1,000 crores by 1980 is achievable and that the trade fair will further stimulate export order books and contracting.

Whilst Indian Engineering exports are reaching every corner of the globe, the AIEI has planned its priorities in terms of markets as well as overseas buyers and visitors. The first priority is being given to the nearby countries in west Asia East Africa and south and south-east Asia. Selected countries in west Africa are being given equal importance.

Foreign Trade

India's foreign trade surplus slumped to just one crore of rupees in May from Rs 116 crores in April 1977. In March 1977, the trade surplus had touched Rs 220 crores. The national surplus in foreign trade may turn into a deficit of sizable proportion in the current year. Sizable imports have been planned to supplement the supply of essential goods, including edible oils and inputs including cotton, required to sustain the growth of industrial production.

Exports too have shown a declining trend. Exports touched Rs 351 crores in May against Rs 425 crores in April and Rs 600 crores in March. World prices are falling in the case of jute manufactures and

India's Foreign Trade

(Rs crores)

	Imports	Exports	Balance
1976 April	386	359	—27
1976 May	410	385	—25
1976 June	366	365	—1
1976 July	370	391	+21
1976 August	417	378	—39
1976 September	461	453	—8
1976 October	382	456	+74
1976 November	472	389	—83
1976 December	478	457	—21
1977 January	462	443	—19
1977 February	438	413	—25
1977 March	380	600	+220
1977 April	309	425	+116
1977 May	350	351	+1

acco. The export price of ar has touched the rock tom following improved plies in the world market. en so, sizable stocks (about lakhs tonnes) have been marked for export in the pe of renewal of quota der the International Sugar reement during the current ar.

vestment in Ancillary nits

In a major policy change e government has proposed to crease the investment ceiling r the ancillary units in the untry. Besides, it has so proposed to modify the finition of ancillaries with view to enlarging their scope operations and facilitating eir growth. Although a nal decision on the quantum of crease in the investment ceilg for the ancillaries has not et been taken, it is expected be considerably more than ne present limit of Rs 15 khs which is in the shape of xed assets in plant and machiery.

Under the new definition of ncillaries, the government has roposed to recognise those nits producing intermediates nd those providing servicing cilities like sandblasting, achining, pressure cleaning, rinding etc. as ancillaries. esides, it is also proposed enlarge the scope of the oncept of "parent" units so s to include the small inustries also. Under this proosal one small industry will e allowed to function as ncillary to another. The ajor criterion for recognition f the ancillaries henceforth nder the new proposal of ne government would be that very unit should supply or t least propose to supply minimum of 50 per cent of its total production to one or more parent industries.

The existing definition of the ancillary units is that an undertaking should have an investment not exceeding Rs 15 lakhs in fixed assets in plant and machinery and engaged in the manufacture of parts, components, sub-assemblies, tooling or intermediates or rendering services and supplying or rendering or proposing to supply or rendering 50 per cent of their production or the total services as the case may be to other units for production of articles.

Availability of Cement

There have been complaints of non-availability of cement and also of black-marketing in cement by the dealers. The union minister for Industry Mr George Fernandes stated that he had asked the cement dealers that cement should be sold at the statutory price and when stocks run out, they should have a sign board to that effect. The final answer to the present situation was more production of cement, which was not a short term solution. With the improvement in the power situation, there would be some more production in the normal course, he stated. The cement units that have perennial power problem were being allowed to put up small captive diesel power plants immediately.

While some of our export commitments on cement had to be fulfilled for more than one reason, the ministry was looking into the possibility of deferring a few of the programmed exports. In this way, there could be some additional stocks available for domestic consumption. About 50,000 stockists of cement in the country are being asked to (1) display daily stock position; (2) to display the price of cement; and (3) to associate a committee of people's representatives of the locality with the distribution of cement. The minister has written to the state governments to bring these suggestions to the notice of all elected legislators so that they immediately involve themselves with the setting up of these committees, and also asked them to direct the district collectors to help in the formation of such committees.

A renewed drive has been launched by the Associated Cement Companies Limited (ACC) to ensure that available supplies of cement with stockists were distributed at the controlled price. Greater vigilance undertaken by ACC to check malpractices among cement stockists has resulted in termination or suspension of 29 stockistships since June 1977. In a press release, the ACC stated that its marketing efforts has instilled confidence among customers all over the countr .

New Fishing Harbours

Fishing harbours have already been sanctioned at five major ports of Madras, Cochin, Roychowk (Calcutta), Visakhapatnam (stage I) and Sassoon Dock. These have also been sanctioned at nine minor ports of Tuticorin, Vizhinjom, Karwar Port Blair, Honnavar, Malpe, Dhamra, Ratnagiri and Kakinada. Landing and berthing facilities of a minor nature have been provided at about 80 centres. The fifth Plan envisaged that besides a fishing harbour at Visakhapatnam major port, fishing harbours would be developed at minor ports of Kakinada, Nizampatnam and Narasapur in Andhra Pradesh. The proposal as regards Visakhapatnam (stage II) and Nizampatnam have been referred to the World Bank for assistance as part of an integrated marine fisheries project. The quantum of mechanised boat operation at Narasapur does not justify at present construction of a fishing harbour. The project on pre-investment survey of fishing harbours has accorded a low priority for Narasapur and recommended the building up of landing and berthing facilities at Narasapur, only if it can be established that nine metre boats can work profitably.

Indo-Soviet Trade

Trade delegations of India and the Soviet Union have agreed on the compostion of Indian export items to the USSR during 1978-1980 against supply of Soviet crude oil to India. The list includes items such as variety of steel products and non-traditional items like wire ropes, aluminium power cables, wood veneers of tropical wood, organic dyestuffs, detergants, essential oils and instant coffee in addition to some traditional products. Further items will be added to the list as and when necessary and will be built into the annual trade plans for exports to the USSR for each of the calendar years 1978, 1979 and 1980. The volume of such exports is estimated to be about Rs 1230 million a year.

The Soviet delegation whose visit to India concluded recently, was led by Mr P.I. Sakun, chief of the main department for Import of Raw Materials in the Soviet ministry of Foreign Trade. Thel ndian delegation was led by Mr Prem Kumar, joint secretary in the ministry of Commerce. The Soviet delegation included experts dealing with the wheat purchases. These experts dis-

cussed with the union department of Food and the Food Corporation of India technical and logistic questions arising from the Indian proposal to return wheat in return for the Soviet wheat loan that they had given to India in 1973-74. Discussions are expected to be resumed shortly with a view to finalising the agreement in this regard at government level. A formal agreement is expected to be signed between the two governments at appropriate level at a later stage.

Low Cost Water Filter

The Central Glass and Ceramic Research Institure, Calcutta has developed a low cost janta water filter set which gives complete bacteria-free drinking water This set is based on the use of common clay, earthenware pitchers which are available in every Indian village. The filter candles used in the sets are manufactured with the indigenously available common ceramic raw materials. The cost of production of each candle made according to the institutes process would be about Rs 5 per piece.

The total annual consumption of filter candles in the country is estimated to be over 1 lakh pieces valued at Rs 15 to 20 lakhs in foreign exchange. Two flat bottomed common clay earthen pitchers fitting each other are required. A small hole is made in the bottom of the top container through which the filter candle is fitted In the bottom container, a metallic or plastic tap may be fitted. The cost of this complete assembled domestic filter set will be about Rs 22 to Rs 25 only. This filter set will be very useful during epidemics, floods or drauhts etc. when water supply becomes scarce or gets polluted.

OPEC Oil Surplus in 1980

A recent issue of *International Finance*, a news letter of the Chase Manhattan Bank revealed that the 1977 OPEC surplus will probably be a bit lower than last year's $ 38 billion. Last December, Saudi Arabia and the United Arab Emirates announced a price rise of five per cent in January, while the other 11 OPEC members were to raise price 10 per cent in January and an other five per cent this month Now, Saudi Arabia and the UAE have agreed to raise their prices five per cent and the others have dropped the planned July increases. This should put OPEC's weighted average net take per barrel of oil in 1977 up about 8.8. per cent from last year. OPEC oil production is also expected to be up from 1976, but the year-to-year increase should be modest because much of the 1977 rise in world oil demand is being met from the North Sea, North Slope of Alaska and Mexico. Moreover, the growth of OPEC spending on imports is speeding up this year—it will probably be about 20 per cent, compared with

DEPARTMENT OF ATOMIC ENERGY

Directorate of Purchase and Stores

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below:—

(1) DPC/BARC/ENG/10019 due on 19.8.77. Fabrication and supply of M.S. cylindrical vertical tank as per drawing and tender specifications. 2 Nos.

(2) DPS/NAPP/PPF/39 due on 17.8.77. Heavy quality soil variety cast iron pipes as per purchaser's tender specification.

(3) DPS/BARC/IEE/1141 due on 18.8.77. 16 bit microprocessor with peripheral interfaces and memory with accessories 2 Nos.

(4) DPS/HWP/IEE/50, due on 19.8.77 Safety instruments like explosive meter, Detector for various gases. etc. 3 Nos.

(5) DPS/BARC/IEE/1165 due on 22.8.77. Oscilloscope Dual trace 50 Hz. 1 No.

(6) DPS/BARC/IEE/1166 due on 30.8.77. X-Ray system of 100 KV 1 No.

(7) DPS/PPED/ENG/1228 due on 12 8.77. Preparation of shop drawings, manufacture, shop testing, assembly, supply, crating and delivery at Site of sampling cabinet assemblies manufactured out of Stainless Steel, as per drawing and tender documents. 2 Nos.

(8) DPS/RRC/IEE/298 due on 24.8.77, Resistance tubular furnace or operating temperature 1700°C. 1 No.

(9) DPS/BARC/IEE/1168 due on 24.8.77. Single Arc furnace with water cooled Power cable for DC supply. Operating temp. 3500°C.

(10) DPS/HWP/IEE/51 due on 24.8.77. Heavy water Analyser conduct 3 Ampe 250V AC 1 No.

(11) DPS/VEC/CAP/170 due on 24.8.77. Refrigeration Condensing unit nominal capacity 3 tons water cooled—2 Nos Nominal Capacity 1 ton water cooled—2 Nos. as per purchasers specification.

(12) DPS/RRC/ELE/126 due on 16.8.77. Chromel-alumel type and copper constantan type compensating cable of different pairs as per Purchaser's specifications. Quantity: 16 kms.

(13) DPS/RRC/FAB/172 due on 12.8.77. Fabrication, Supply, testing and delivery at Reactor Research Centre, Kalpakkam, Tamil Nadu of Stainless Steel Sink Fumehoods as per Purchaser's specification and drawings. Qty.: 4 Nos.

(14) DPS/RRC/ENG/199 due on 16.8.77. Transfer Block Rolling shield consisting of lead filled shield ring and eccentric mechanism, as per drawing and tender specifications, with Purchaser's raw material 1 No.

(15) DPS/NFC/CAP/467 due on 19.8.77. Electrically operated transfer trolleys for tube handling, capacity 5 tonne, as per purchaser's tender document—6 Nos.

(16) DPS/NFC/FAB/63 due on 25.8.77. Manufacture and supply of Alumina Cast Molybdenum bases as per Purchaser's drawings. 100 Nos.

(17) DPS/BARC/FAB/135, due on 11 8.77, Manufacture, procureme of materials, design, inspection, delivery and guarantee of fabricated pa for Main Loop Heater as per Purchaser's specification and drawing, Qty 1 No.

(18) DPS/BARC/FAB/134 due on 10.8.77. Design, manufacture, inspe tion, testing, delivery and guarantee of Pressure Vessel Surge Tank as p Purchaser's specification and drawing. Qty: 1 No.

(19) DPS/NFC/CAP/459 due on 14.9.77. Design, Manufacture, supp supervision of erection and commissioning of continuous billet degreasi unit designed for complete degreasing of the outside and inside surfaces round machined billets of ball bearing steel, medium carbon low alloy st and stainless steel of 137 mm. 165 mm, 207 mm, 277 mm and 327 mm. leng varying from 400 mm to 800 mm. complete with electrical and hydrau equipment, standard accessories and auxiliary equipment, as per purchase tender document and drawing-1 No.

(20) DPS/NAPP (PPED)/CAP/25 due on 19.9.77, design manufactur assembly, inspection, testing and delivery at site, properly packed of au liary boiler feed pump, design capacity 27 tonne/hr. 2 Nos., main conde sate extraction pump, design capacity 1100 tonne/hr 4 Nos., auxiliary co densate extraction pump, design capacity 27 tonne/hr. 2 Nos., separat drain pump, design capacity 225 tonne hr. 4 Nos. and reheater drain pum design capacity 86 tonne/hr. 4 Nos. with all auxiliaries and accessories, per purchaser's tender document.

(21) DPS/RRC/FAB/171 due on 30.8.77, Preparation of shop drawing manufacture. inspection, shop assembly, shop testing, guarantee, cratin delivery to Fast Breeder Test Reactor Site Kalpakkam and erection Shielding Blocks, Top support Frames, Plugs & Covers for Irradiated Fu Storage Area as per Purchaser's Tender Document & Drawings. Qty: 1 se

Tender documents priced Rs. 10/- each for item 1 and 2. Rs. 20/- ea for item 3 to 7 and 9, Rs. 25/- each for item 8. 11, 12, Rs. 30/- for item N 10 Rs. 50/- for item No. 13, 14, 15, Rs. 100/ each for item No. 16, 17, 19 Rs. 200/- for item 20 and Rs. 300/- for item 21 each can be had from t Finance and Accounts Officer, Department of Atomic Energy Directora of Purchase and Stores, 3rd Floor, Mohatta Building Palton Roa Bombay-400001. between 10 a.m. to 1 p.m. on all working days except Saturdays. General conditions of contracts priced Re. 0-50p. Can also had from the above office for item 1 to 12, 14, 15, 19 & 20. Tender doc ments and General conditions of contracts will however be issued up 19.8.77, 16.8.77, 9.9.77, 14.9.77 for items at Sl. No. 11, 15, 19 & 20. I port Licence will be provided only if the items are not available indigenou ly for item 1 to 12, 14 to 16, 19, 20. Tenders will be received upto 3 p.m on the due date shown above and will be opened at 4 p.m. on the sa day. The right is reserved to accept or reject lowest or any tenders in pa or full without assigning any reasons.

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cent in 1976 and 54 per
t in 1975. These assump-
ns point to an OPEC sur-
s of around $ 36 billion
1977, with Saudi Arabia,
wait and the UAE account
for almost 90 per cent of
total.

Beyond 1977, the annual
EC surplus should continue
decline, albeit gradually,
around $24 billion by
80. This projection assumes:
relatively slow growth in
EC crude oil export volumes
cause of moderate world
nomic growth, energy con-
vation, a sharp increase in
n-OPEC oil production,
d rising OPEC needs for oil;
) the resumption by Saudi
abia of its role as "swing"
producer, filling the gap
tween world oil demand and
e supply from other sources;
) oil price increases averaging
ven per cent per year, with
orld inflation; (4) an annual
turn of eight per cent on
PEC's foreign investments;
nd (5) an average annual rise
17 per cent in OPEC imports
oth of goods and of net ser-
ces.

ey Variables

Different assumptions about
e key variables—the rise in
PEC output, imports and
rices—would result in diffe-
nt projections, either higher
r lower than the $ 24 billion
timated for 1980. Rather
xtreme projections of the sur-
us could be obtained by
ombining the "high" or the
ow" assumptions about the
ajor variables, but such a
rocedure ignores the essential
terdependence of these vari-
bles. For example, should
e volume of OPEC oil ex-
orts rise very slowly, it seems
kely that the cartel members
ould increase oil prices faster
an the seven per cent assum-
d and/or reduce the growth
rate of their imports. It is this interdependence among the key variables that some analysts overlook when they predict a very marked decline in the OPEC surplus by 1980.

UPASI Annual Conference

The annual conference of the United Planters' Association of southern India will be held in Coonoor on September 13, 1977. It will be preceded by a joint area scientific seminar on September 12. Among the other highlights oI the conference week are a three-day UPASI industrial exhibition and the annual sports competitions.

Export Order for Indian Plywood

Indian Plywood Manufacturing Company has successfully completed an export order to the Gulf countries valued at over Rs 3.50 lakhs for particle boards made from teakwood chips and bonded with phenol formaldehyde synthetic resin. The demand in Gulf countries for phenol bonded teakwood particle board is likely to grow in view of the iucreasing building activity.

Copper Production

The production of copper-wire-bar of Hindustan Copper Limited was 2,083 tonnes in June 1977, compared to 1,590 tonnes in June 1976. The cumulative production during the period April-June 1977 was 4,043 tonnes, which was much higher compared to the figure of 3,270 tonnes during the same period last year. The production could have been much higher but for. the power cuts which adversely affected the working of the copper complexes at Ghatsila and Khetri. The total production statistics of the two copper complexes is given below.

Indian Copper Complex, Ghatsila

(Figures intonnes)

Product	April-June 1977	April-June 1976
Ore milled	3,13,676	2,88,778
Blister copper	3,337	3,562
Cathodes	1,677	2,785
Wire-bars	1,531	2,347
Kyanite	5,864	6,942
Silver (kg)	280	190

Khetri Copper Complex, Rajasthan

(Figures in Tonnes)

Product	April-June 1977	April June 1976
Ore milled	2,71,499	2,42,290
Blister copper	1,493	1,566
Cathodes	3,667	3,369
Wire-bars	2,512	923

Finnish Advances in Technology

Finnish Sugar Co, is Finland, one of the world's leading sucro-chemical producers, has recently introduced a new process for desugarisation of molasses which is based on a technique of separation by liquid chromatography. Depending on circumstances, it is possible to recover 75-90 per cent of the sugar in molasses. The first plant was successfully operated for about two years. The new process is practically independent of chemicals. Apart from recovery of sugar it provides for utilization of the residue—as cattlefeed or liquid fertilizer. In other processes this residue is merely a nuisance because of the heavy environmental load it causes. The process can be applied to both beet and cane molasses.

Raisio Factories in Finland are now building a wheat starch plant in connection with their main production units. The process to be used at the new plant has aroused wide international interest for two reasons: the solution it offers to the effluent problems which have always afflicted starch production and the high quality of the wheat protein, gluten, which is also produced. The process has been underdevelopment for three years at a pilot plant. The new plant, whose capacity is 30 times greater, will be completed by the end of the year. Its annual consumption is 23 million kgs starch and 2.5 million kgs gluten. In the Raisio process

MANJUSHREE PLANTATIONS LIMITED

Notice To The Shareholders

NOTICE is hereby given that the Thirtyninth Annual General Meeting of the shareholders of the company will be held at the Registered Office of the Company at New Hope, Nilgiris on Thursday the I8th August, 1977 at 3.00 p.m. and its agenda has been/will be circulated to all members of the company in time.

The Equity share transfer Registers (Registers of Members) will remain closed from 4-8-1977 to 18-8-1977 both days inclusive for the purpose of payment of dividends.

By order of the Board
For Manjushree Plantations Ltd
A. K. AGARWAL
Secretary

Registered Office :
NEW HOPE
Nilgiris
Dated: 5th July, 1977.

the protein fraction is dried at relatively low temperatures and the process itself is short, no changes occurring in the products while it lasts. The gluten is recovered as a vital substance, retaining its original properties.

Dollar-Sterling Link

The British treasury in a recent surprise move announced a temporary suspension of the unofficial link between sterling and the dollar. The news of the sudden shift in British monetary policy followed a sharp mid-day rise in sterling's dollar rate, indicating that the Bank of England had ceased supporting the dollar. Explaining the change of strategy, the treasury stated that inverventions by the Bank on the foreign exchanges to keep sterling's value in terms of the dollar at around 1.72 had in recent days resulted in an excessively sharp decline in the pound's rates against the currencies of Britain's other main trading partners, including those in western Europe.

BHEL Boiler Drum for Tripoli

Mr. Ahmed Rageb Fitur, Libyan Ambassador in India visited BHEL, Tiruchi and released the first boiler drum for Tripoli West Power Station, Libya from the Shipping Bay of BHEL, Tiruchi, recently. Competing in a global tender BHEL won this Rs 102 crores contract for the extension to Tripoli West Power Station in Libya.

The first stage of this extension consisting of two units of 120 MW thermal stations is to be completed in 36 months from the date of order, June 29, 1976.

Names in the News

Mr M.M. Sabharwal, chairman Dunlop India has joined the board of directors of Bata India Limited as an additional director. In the casual vacancy caused by the resignation of Mr J. Vyoral from the board. **Mr John P. Wleugel** has been appointed director. Mr M.M. Sabharwal joined Dunlop India in 1942 and became its director in 1965. Mr Sabharwal was recently elected vice-president of the All-India Management Association.

Mr D.F.L. Turner has taken over as Manager (India), Mercantile Bank, a member of the Hong Kong Bank group from Mr I.K. Allan.

Mr A.M.B. Deshmukh has taken over as managing director of State Bank of Mysore, an associate bank of the State Bank of India.

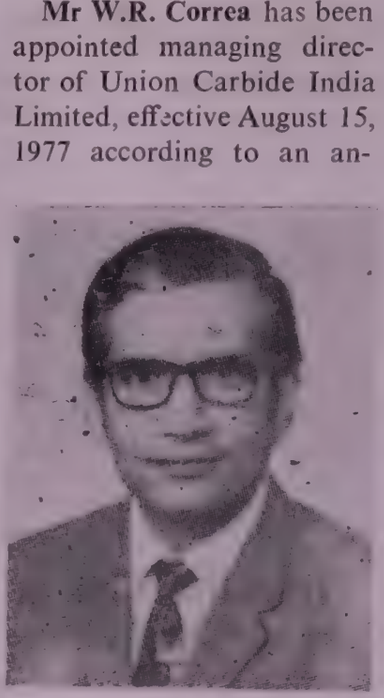
Mr R.D. Pusalkar of New India Fisheries has been appointed vice-chairman of the Marine Products Export Development Authority.

Mr Krishna Kumar Khemka of Kesoram Rayon has been elected president of the Association of Man-Made Fibre Industry for the year 1977. **Mr B.D. Patnaik** of Shriram Rayon is the vice-president.

Mr H.C. Kothari has been elected chairman of the South Indian Sugar Mills' Association for the year 1977-78.

Dr Vijay Laxman Kelkar has taken over as Economic Adviser in the ministry of Commerce in place of **Dr A.K. Sen Gupta**, who has since taken over as minister, Economic, in the Indian High Commission, in London. Dr Kelkar held the post of a consultant in the Planning Commission since February, 1975, where he was dealing with industrial policy, international trade policy and policies for natural resources.

Mr W.R. Correa has been appointed managing director of Union Carbide India Limited, effective August 15, 1977 according to an announcement made by the company's chairman, Mr Keshub Mahindra. Dr Correa is the first Indian to become the managing director of the company. An M.S. and Ph.D. in electrical engineering from the University of Michigan, USA, Dr Correa had his early education in Hyderabad (AP) and in Bombay. He became general sales manager of the company's consumer products division in 1962 and divisional general manager of the carbon and metals division of the company in 1967. Prior to the present appointment, Dr Correa was managing director of Bakelite Hylam Limited at Bombay.



Mr W.R. Correa

Dr A. Ramachandran, secretary in the Dept of Science and Technology, government of India took over additional charge of director-general, Council of Scientific and Industrial Research. A distinguished technologist, Dr Ramachandran was director of IIT, Madras before he joined as secretary DST in 1973. **Mr Y. Nayudamma,** who has been relieved of the post of the director-general of the Council has been permitted to go back to his teaching and research activity at the Central Leather Research Institute, Madras.

Mr A.D. Dahanukar and **Mr D.C. Agashe** have been elected as president and vice-president respectively of the Deccan Sugar Factories' Association for the year 1977.

Mr Bhupendra K. Modi has been appointed executive director of Modi Rubber Limited. After graduating in Chemical Engineering, he had M.S. Management Science from University of South California, USA with specialization in Finance. He is the member of the Northern Region Council of Indo-German Chamber of Commerce and vice president of Western UP Productivity Council.



Mr B. K. Modi

COMPANY AFFAIRS

ndustan Motors

NDUSTAN MOTORS has repor- a gross profit of Rs 169.83 hs for the year ended March 77, against a loss of 296.99 lakhs in the previous ar. After providing Rs 17.92 khs (Rs 12.55 lakhs) for preciation, Rs 10.50 lakhs il) for investment allowance, s 60,532 for taxation for rlier year and writing back s 55 lakhs from development bate reserve no longer re- uired, there is a surplus of s 195.81 lakhs which has been djusted against the brought- n balance of Rs 296.99 lakhs. debit balance of Rs 101.18 akhs has been thus carried orward. The dividend has een passed over.

Oriental Carpet

The directors of Oriental Carpet Manufacturers (India) Ltd have recommended an issue of bonus shares to the existing shareholders in the ratio of one bonus share for every four held, subject to the approval of the shareholders and the Controller of Capital Issues. Though sales have declined to Rs 13.31 crores from Rs 14.67 crores, the profit before taxation has increased to Rs 73.07 lakhs during the year ended March 31, 1977, as against Rs 66.97 lakhs for the preceding year. Depreciation gets Rs 13.05 lakhs (Rs 12.41 lakhs) and taxation Rs 32.50 lakhs (Rs 29.50 lakhs). After making adjustments in respect of earlier year, the available surplus for distribution is Rs 2.70 lakhs as against Rs 25.48 lakhs. The proposed equity dividend at Rs 1.90 per share will absorb Rs 7.60 lakhs and the preference dividend of 32 paise per shure on the pro rata basis for the period February 1, 1977 to March 31, 1977, Rs 0.96 lakh. The balance of Rs 19.14 lakhs has been transferred to reserves.

The directors have stated that installation of the additional 20 looms and 1,200 worsted spindles which was taken in hand last year, has been completed thereby increasing the installed capacity of the mill to 100 looms and 5,200 worsted spindles. A programme of modernisation of its worsted spinning section by replacing the old spindles is under implementation. However, there has been a significant setback in the market since December and this is likely to have an adverse effect on this year's working.

Indian Organic

Indian Organic Chemicals has shown satisfactory results for the year ended 1977 with sales, and gross profit showing a fair increase compared to the previous year's performance. The dividend of 15 per cent maintained on a larger capital resulting from the bonus issue in the one-for-two ratio, is covered nearly two-and-a-half times by the year's earnings.

The company's sales have risen from Rs 44.25 crores to Rs 49.38 crores. The gross profit, which had increased by 38 per cent to Rs 6.23 crores in 1975-76, has risen further by 34.5 per cent to Rs 8.38 crores.

The company has pointed out that working of its Manali fibre unit was satisfactory till the issue of free licences for the import of polyester fibre towards the end of November, 1976. Its operations may remain unsatisfactory till problems resulting from imports are sorted out. The company has applied for permission to expand the plant capacity from 6,100 tonnes to 12,200 tonnes a year. But the problems resulting from imports will have to be solved first in order to induce the industry to prepare itself for growth. As far as the Khopoli unit was concerned production and sales of most of the chemicals showed an improvement over the previous year. The acetic anhydride plant was completed and the new product was placed in the market in March 1977.

Tata Oil Mills

Mr J.R.D. Tata, chairman, the Tata Oil Mills (TOMCO) pointed out in his annual statement that in order to reduce the cost of oils and fats which go into soap making the government could do one of the two things; either reintroduce the fiscal incentives which were in force from July 1973 to March 1975 to promote the use of non-edible oils or permit the industry to import tallow directly and exempt such imports from import duty as they have recently placed orders for the import of over 15,000 tonnes of various edible oils mainly palm oil products. The difficulties faced by the company in the previous year have spurred the management to greater efforts in improving its products and developing new ones as well as affecting economies in order to permit resumption of its growth and progress.

Because of the company's participation in Unitata in Malaysia it is in a unique position to play a useful role in helping to meet the country's need in high quality edible oils. Mr Tata hoped that the government will allow the happy combination of Unitata and TOMCO to play its full part in meeting at low cost the shortage in fat needs of the country.

SLM-Maneklal

The directors of SLM-Maneklal Industries Ltd have announced a proposal to issue bonus shares in the ratio of 1:5. They have also maintained dividend at 16 per cent for the year ended March 31, 1977. According to preliminary figures, the company's sales increased from Rs 4.63 crore to Rs. 4.95 crore and gross profit from Rs 76.06 lakh to Rs 82.34 lakh. After providing Rs 20.68 lakh (Rs 20.63 lakh) for depreciation, Rs 4.36 lakh (nil) for investment allowance reserve and Rs 32.30 lakh (Rs 30 lakhs) for the tax liability, net surplus came to Rs 25 lakhs (Rs 25.43 lakh). The proposed dividend will absorb Rs 20.48 lakh as against Rs 16.06 lakh in the previous year. The company hopes to record a turnover of Rs 5.50 crore in the current year. The sales so far have been Rs 63 lakh but the "pending orders" amount to Rs 3 crores. During 1976-77 the company developed a new item, "pellet handling plant" used for pneumatic conveying of pellets, wheat, straw and other similar material. It has already sold two such plants. It has secured orders for Toshiba-Maneklal injection moulding machines. It has, also booked

6 PER CENT STATE GOVERNMENT LOANS, 1987

State	Amount of Loan (In crores of Rupees)
1. Andhra Pradesh	20.25
2. Assam	8.00
3. Bihar	14.00
4. Gujarat	17.50
5. Haryana	8.75
6. Himachal Pradesh	1.50
7. Jammu & Kashmir	2.25
8. Kerala	11.75
9. Karnataka	15.50
10. Madhya Pradesh	9.00
11. Maharashtra	26.50
12. Orissa	13.75
13. Punjab	7.25
14. Rajasthan	20.75
15. Tamil Nadu	25.00
16. Uttar Pradesh	36.50
17. West Bengal	13.50
18. Manipur	1.50
19. Nagaland	2.25
20. Tripura	1.50

The above loans will be issued at Rs. 99.50 per cent and will open for subscriptions on Tuesday, 23rd August 1977 and close on Thursday, 25th August 1977 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the State Governments reserve their right to retain subscriptions upto ten per cent in excess of the notified amounts.

The loans will be redeemable at par after 10 years i.e. on 23rd August 1987 and interest will be paid half-yearly on 23rd February and 23rd August each year. Interest in respect of all loans will be liable to tax under the Income-tax Act 1961. Interest on Government securities along with income in the form of interest or dividends on other approved investments will be exempt from Income-tax subject to a limit of Rs. 3,000/- per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961.

The value of investments in the Loans now issued together with the value of other previous investments in Government securities and the other investments specified in Section 5 of the Wealth Tax Act, 1957 will also be exempt from the Wealth Tax upto Rs. 1,50,000/-.

Subscriptions may be in the form of CASH/CHEQUE.

Securities of the following loans will also be accepted AT PAR for conversion into the new loans of the respective State Governments:-

Name of the loan tendered for conversion	Name of the new loan issuable
1. 5 1/2% Andhra Pradesh State Development Loan, 1977	6% Andhra Pradesh State Development Loan, 1987
2. 5 1/2% Assam Loan, 1977	6% Assam Loan, 1987
3. 5 1/2% Bihar State Development Loan, 1977	6% Bihar State Development Loan, 1987
4. 5 1/2% Gujarat State Development Loan, 1977	6% Gujarat State Development Loan, 1987
5. 5 1/2% Kerala State Development Loan, 1977	6% Kerala State Development Loan, 1987
6. 5 1/2% Madhya Pradesh State Development Loan, 1977	6% Madhya Pradesh State Development Loan, 1987
7. 5 1/2% Madras Loan, 1977	6% Tamil Nadu Loan, 1987
8. 5 1/2% Maharashtra State Development Loan, 1977	6% Maharashtra State Development Loan, 1987
9. 5 1/2% Mysore State Development Loan, 1977	6% Karnataka State Development Loan, 1987
10. 5 1/2% Orissa Government Loan, 1977	6% Orissa Government Loan, 1987
11. 5 1/2% Punjab Loan, 1977	6% Punjab Loan, 1987
12. 5 1/2% Rajasthan State Development Loan, 1977	6% Rajasthan State Development Loan, 1987
13. 5 1/2% Uttar Pradesh State Development Loan, 1977	6% Uttar Pradesh State Development Loan, 1987
14. 5 1/2% West Bengal Loan, 1977	6% West Bengal Loan, 1987.

If the cash value of the securities tendered for conversion is not an exact multiple of the issue price per cent of the new loan, the tenderer will receive in cash at the time of issue of the new securities the amount by which the value of the securities tendered exceeds the nearest lower multiple of the issue price. Interest for the half year ending 22nd August 1977 on the securities accepted for conversion, will be paid at the rate of 5 1/2% per annum at the time of issue of new securities.

Applications for *all the loans* will be received at the offices of the Reserve Bank of India at Ahmedabad, Bangalore

Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna and the State Bank of Bikaner and Jaipur at Jaipur.

Applications will also be received *at other places within the respective States* as follows:

(i) Branches of the Associate Banks of the State Bank of India conducting Government treasury work except at Hyderabad;

(ii) Branches of the State Bank of India at places where there is no branch of its Associate Banks conducting Government treasury work; and

(iii) In the case of Jammu & Kashmir loan, applications will be received at branches of the Jammu & Kashmir Bank within the State of Jammu & Kashmir and branches of the State Bank of India where there is no branch of Jammu & Kashmir Bank.

Applications for Haryana and Punjab State Government Loans will also be received at State Bank of India, Chandigarh.

Securities will be issued in the form of Promissory Notes or Stock Certificates. The advantages of investing in the form of Stock Certificates are as under:

(i) It is safer than a Government Promissory Note as the name of the holder is registered in the books of the Public Debt Office.

(ii) The Stock Certificate will be sent to the applicant direct by registered post by the Public Debt Office.

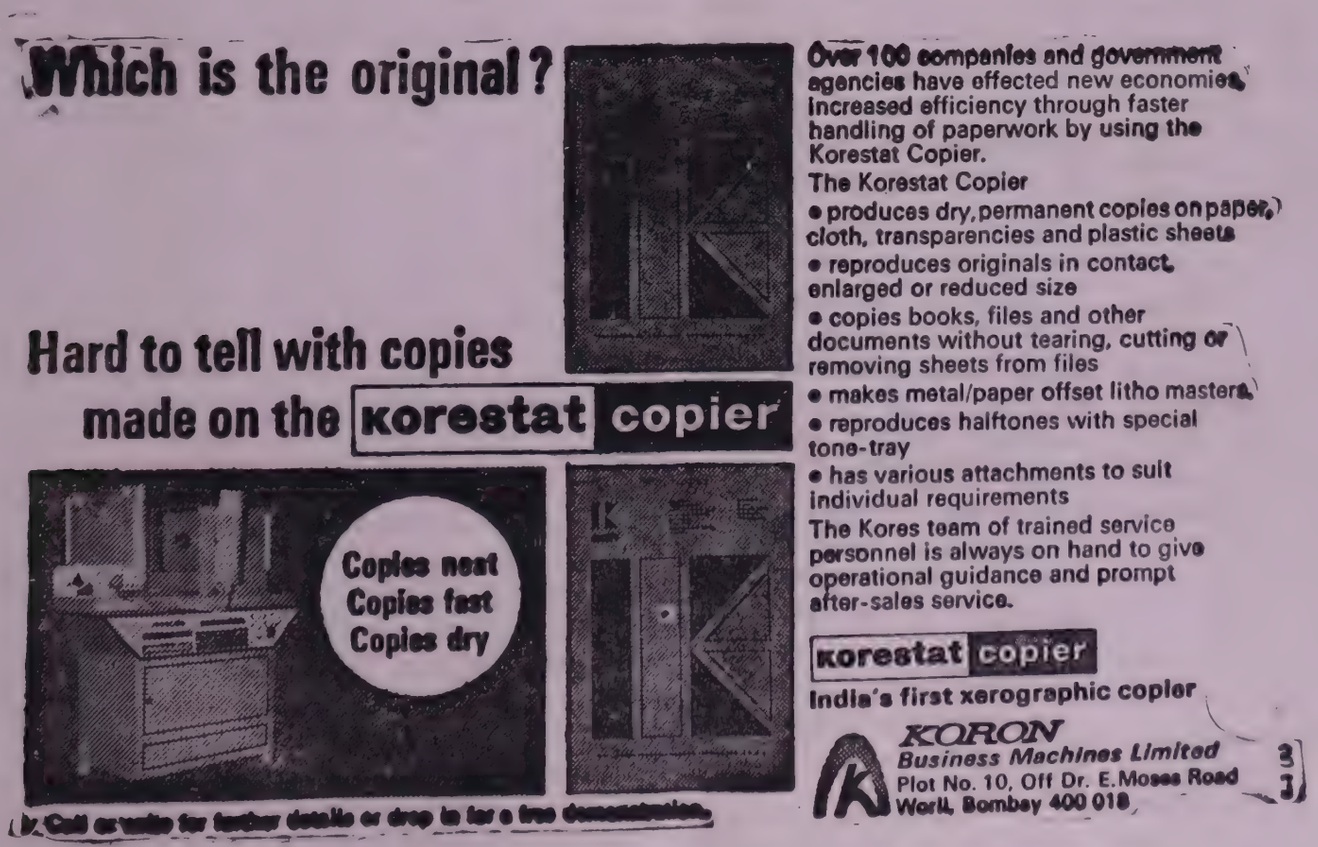
(iii) The half yearly interest will be remitted to the holder direct by an interest warrant drawn at par on any Treasury or State Bank branch stipulated by the holder. If the holder so desires, the interest will be remitted by Money Order after deducting the commission charges.

(iv) If the holder wishes to sell his securities he can do so by signing the transfer form printed on the back of the Certificates in the manner prescribed therein.

(v) Government Promissory Notes in exchange for the Stock Certificate can be obtained by applying to the Public Debt Office and on payment of a nominal fee for each new note required.

Copies of the Notifications and Application Forms may be obtained from any of the Receiving Offices mentioned bove.

In the event of over-subscription to the loan applied for, applicants tendering applications at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna will be given the option of transferring their cash refunds to any other State Government loan which may still be open for subscription. To avail themselves of this facility, applicants should complete the "Special Option Form", copies of which can be obtained at any of the offices of the Reserve Bank of India mentioned above and tender the form along with their applications.



The Britannia Biscuit Company Limited

"Business ethics must be tailored to our social and economic environment."

Extracts from the Statement made by Mr. K. Julian Scott, Chairman, The Britannia Biscuit Company Limited at the Annual General Meeting at Calcutta on 28th July, 1977.

The results for 1976/77 are the best in the history of your Company, with earnings, revenue and tax payments the highest on record. Although we lowered the price of our main products, turnover rose by 13.5 per cent to Rs 44.13 crores and earnings improved by 44.9 per cent to Rs 1.71 crores. Exports at Rs 3.97 crores are up by 58 per cent over the previous year.

After a period of stagnancy, the biscuit industry's volume registered a welcome rate of growth last year, and the market is continuing to improve. This is most encouraging and Britannia has gained its rightful share of the increased business. We are happy also to see the gains recorded by other members of the industry.

In March 1977, we witnessed in India an event which took the World by surprise, not only by the magnitude of the change, but even more so by the astonishing gentleness with which it was brought about. In an age, when nations hold concepts of tolerable levels of violence for their societies, we saw the spectacle in India of a people, silently and fearlessly, defeating at the polls, one of the most powerful Governments of its times. There were moral overtones to the issue at stake, since the disagreement was not only over objectives, but the methods used to achieve these objectives. The wisdom behind Mahatma Gandhi's emphasis on the means being as important as the ends was fully vindicated.

We now have a new Government but the problems that face us remain the same. There is still need for discipline in public and private life, for stability in the political and economic sectors and for authority that commands respect. Inflation remains a threat and population must be controlled if we wish to improve the quality of life. The difference is that these desirable conditions have to be created now with public co-operation, dynamic functioning and inspired leadership.

We need a leadership with outlook and attitudes which can harness the new forces, unleashed by change, for the benefit of the people. Solutions to our problems are not buried in history books or in political and economic dogmas propagated in the past, but in the clear understanding of the present and the future. It has been said that the mill cannot grind with the water that has passed, and so it is also with a nation. The World is changing constantly and change has now acquired an accelerative thrust; the management of change is the greatest challenge faced by mankind in these closing decades of the Twentieth Century.

India is wealthy beyond measure in material and human resources. We have management skills of the highest order, and a base of technological knowledge and expertise, which has growth potential. Yet the spark of creativity has remained dampened for years because of ideological confusion, traditional distrust of business, and inhibitive controls on industrial and commercial enterprise. We have accepted without questioning, the theory that our economic progress must necessarily be slow. Economists would do well to study the nature of the technological forces at work and which can transform our society.

Strict control and a strong grip on the direction of industrial growth may have been necessary in the earlier years, when with limited resources, we had to build a basic structure for future industrialisation. Those were the years when, having won our political freedom, we looked to achieving self-reliance or economic freedom. In that context, the strategy in planning, which laid heavy emphasis in favour of the capital goods sector, was necessary, even though it meant the postponement of the economic welfare of the people, high unemployment and agricultural uncertainties.

Now there is a real need to think afresh, to think fearlessly without letting past inhibitions, superstitions and attitudes impede our progress. Emphasis should be on agriculture, massive employment and social justice. There is a scarcity of capital and an abundance of labour in our economy, and we should plan for a mix, which achieves the maximum productivity of the scarce resource capital, in producing the highest income and employment.

We will do well to re-examine and re-evaluate a number of fixed ideas, which for years have dominated our economic policies and planning. After all, the First Plan, without emphasis on heavy capital intensive and long gestation period industries, was a thumping success. It increased the national income by 18 per cent and foodgrains

roduction by 20 per cent. All ne subsequent plans have ollowed a different strategy, nd while it has made the ountry economically stronger, has involved a great sacrifice or the people. We now have o make accelerated gains in he areas of agriculture, welfare nd employment. The people re no longer content to bear ne burden of forced savings y way of deficit financing, eavy doses of taxation, infla- ion and investment of capital n sectors which do not in the hort run yield proportionate enefits in growth and employ- nent.

It is the responsibility of ach of us to work towards mproving the lot of our less ortunate citizens and no one an be indifferent to this task hile over one-third of the opulation lives below the overty line. No effort should e spared to raise the living tandards of the poorer sections f society, but this should not e at the expense of wage- arners who work hard and re entitled to expect a fair ward for their labours.

If honest men doing an onest job do not receive reaso- able encouragement, then am- ition, enterprise, creative bility and effort will be stifled. he desire of the employee to ecome an employer or of a anager aspiring to own a usiness is a sign of a healthy ociety poised for progress and rosperity.

Investment should now be ade in the low capital-output atio industries, such as con- mer goods, agro-based and ottage industries, so as to reate maximum employment ith the available capital. In- ation has to be curbed ecause in a democratic so- ety, where so many subsist n so little, inflation can be socially explosive. Unemployment itself will become less tolerable in a society where the joint family system is breaking up and will thus become less of a cushion against the implications of unemployment.

I believe that the Private Sector has a strategic role to play in taking our country to its next stage of development. Public good must not be determined by ideologies, as the creation of wealth and employment is in the public good. Certainly the Government has every right to intervene if wealth is misused, or to discipline the Private Sector when such disciplining is necessary, or to punish members found guilty of social and economic crimes. What is not in the public good is suspicion based on tradition, production restrictions based on prejudice and antagonism against growth and expansion based on the fear of size.

Thr era of shortages must not be allowed to return, because healthy competition between manufacturers is the consumer's best safeguard against hoarding, bad quality and high prices. It should be understood that profit earned in a competitive market is an indicator of operational efficiency and a necessary result of the enterprise. Private capital will go only where it is wanted and rewarded, and profit is the legitimate reward for the risks that an investor takes. There is a world of difference between earning a profit and profiteering, and the virtue of the former should not be confused with the vice of the latter.

Britannia is only too glad to have an opportunity to play its part in the national adventure of seeking growth and prosperity for the country. We are in the process of attracting new capital in order to dilute the overseas shareholding to the required level, and to finance our plans for diversification and expansion. The overseas shareholders have accepted the changed circumstances, without any reduction in their enthusiasm and confidence in the Company. I have no doubt that the spirit of enterprise, which exists in the organisation will make a great success of our plans and our future will follow the Britannia tradition of superb performance.

In the field of diversification, we have narrowed down our selection to the choice of three projects for which applications have been made to the Government. The final choice will now be dependent on the reaction of the Central Government to our applications.

We have had an excellent year as far as our exports are concerned. Our biscuit exports in the Middle Eastern markets are facing increased competition from Europe and some Far Eastern countries such as Japan. In spite of this, we have been able to substantially increase exports and in the course of the year we have developed several new markets.

Our seafoods exports have been strengthened by an increase in the range of products which we are now offering. It is obvious than frozen food exports cannot be based on prawns alone and steps have been taken to develop a market for other types of frozen foods. Our trawling operations will be expanded by the addition of two Mexican trawlers and one locally built trawler to our fleet in the current year.

Throughout this exacting year, the Board and Executives have been supported magnificently by the staff and employees of the Company. I am sure the shareholders will wish to join me in thanking them all most warmly for their loyalty and the maintenance of excellent standards on which our success greatly depends.

Often there is talk about fears for the future. What are these fears? Are we afraid that India will not progress, that business will not expand? Of course not, we all know that the momentum achieved by our economy will gain impetus with new ideas and fresh talent to take us towards our goals. We must forget yesterday's ideas and strive to establish a new set of values where business is seen to be contributing to the growth of a good and just society. This is an age of science and technology and business ethics must be tailored to our social and economic environment keeping in mind that the more science and technology advance, the more important the human factor becomes.

Although we face a difficult year with may constraints upon us, we are hopeful that 1977-78 will be a year of sustained progress for the economy and the Company. The Company is in good shape. We have a first class team of people in the business and our efficient management techniques have enabled us to establish a strong financial foundation, broaden our earnings base and look with eagerness to the future, confident of our ability to make the most of the opportunities that may occur in the years ahead.

K. Julian Scott

Note: This does not purport to be a report of the proceedings of the Annual General Meeting.

Financing of PACS by commercial banks

The scheme of financing of Primary Agricultural Credit Societies (PACS) by the commercial banks was sponsored by the Reserve Bank of India in 1970 in those areas where the cooperative credit structure was financially and administratively weak. A summary of the findings of a survey conducted by the RBI in the working of the scheme is given below:

THE SCHEME for financing of PACS by commercial banks was initially introduced in June 1970 in 49 districts of five states, namely, Andhra Pradesh, Haryana, Karnataka, Madhya Pradesh and Uttar Pradesh. It was subsequently extended to six more states, namely, Orissa (1972), Jammu & Kashmir and West Bengal (1973), Bihar and Maharashtra (1974) and Assam (1975). The main objectives underlying the scheme were: commercial banks should, (a) meet the production and investment credit gaps in agriculture, (b) finance small and marginal farmers by encouraging them to become members of PACS, (c) revitalise the working of PACS financed so that they become efficient business organisations at the village level, and (d) help in the process of speedy rehabilitation of weak district central cooperative banks (DCCBs) by taking over their affiliated societies for financing. The primary responsibility for rehabilitation, however, rested with the DCCBs themselves, the concerned state cooperative bank and the state government.

The steering committee of the AIDIS (1971-72) at its meeting held on November 28, 1972, had desired that as a part of the supply side investigation into the role of commercial banks in providing finance to agriculture, an assessment of the working of the scheme be made in the five states, namely, Andhra Pradesh, Haryana, Karnataka, Madhya Pradesh and Uttar Pradesh, where it was initially introduced, with a view to finding out the extent to which the scheme had achieved the objectives set before the banks. For the purpose of the survey, 22 branches of 19 commercial banks were selected along with some societies financed by them in each of these five states. In all 57 societies financed by the commercial banks were covered under the survey and other 57 societies financed by the DCCBs which were located in the areas adjoining the societies financed by commercial banks were also surveyed so as to find out the comparative performance and relative progress between the two sets of societies.

Limited Scope

Since the survey covered one or two branches of only some commercial banks in each of the five states and only a few societies financed by them, it was obviously difficult to get a complete and correct picture of the working of the scheme as a whole, in a particular state. In order to overcome this limitation on interpretation of the data collected through schedules, a team of officers from Agricultural Credit Department of the Reserve Bank of India was deputed to each of the above five states to collect additional data on the scheme and to discuss with the officials of all other commercial banks involved in the scheme about the operational problems and difficulties experienced by them in implementing the scheme.

Additional Data

This team made a study of 25 additional branches of commercial banks and 174 more primary societies financed by the participating commercial banks in the respective five states. On the basis of data so collected from the banks, a detailed report has been prepared on the subject. The salient features of the report are discussed in the following paragraphs.

In Chapter III of the report, overall progress achieved by all the participating commercial banks in the financing of PACS during the period 1970-71 (as base year) to 1974-75 in all the ten states (excluding Assam where data are not avaliable) has been discussed. The Table I gives the position in the base year as well as the latest progress in 1974-75 on the performance of the banks at a glance.

Chapters IV, V, VI, VII and VIII extensively deal wit the findings of the survey c the particular branches an societies selected, as well a the progress achieved by th commercial banks (both selec ed for the survey and those no covered by the survey) in th respective five states. I Chapter IX, results of cas studies of societies where en couraging results were obtain ed by the commercial bank in the five states have bee indicated. In Chapter X, a overall assessment of the per formance of the commercia banks participating in th scheme has been made. Th main findings of the survey a detailed in Chapter X ar snmmarised in the followin paragraphs.

Credit Requirements

For assessing the credit gap in each of the states, th Working Group on Coopera tive Credit for fifth Plan ha adopted on an ad-hoc basis, scale of finance of Rs 250 pe hectare for irrigated land an Rs 150 per hectare for unirr gated land, for seasonal agr cultural operations. Adoptin the same criteria, the estimat of credit requirements worke out on the basis of credit pro vided by cooperative and com mercial banks as on Decembe 31, 1974 and the resulta credit gaps in the five state are indicated Table II.

Looking at the large cred gaps existing in all the fi states and in the context of th estimates made for the fift Plan for short-term loans

TABLE I

Overall Progress of the Scheme

(Rs lakhs)

State	No. of com. banks involved	No. of societies financed		Total agri. loans issued		Average loan issued per society		Percentage of overdues to demand	
		1970-71	1974-75	1970-71	1974-75	1970-71	1974-75	1970-71	1974-75
Andhra Pradesh	12	405 (51)	309 (47)	200.43	342.57	0.48	1.08	41	43
Haryana	6	198 (76)	229 (84)	93.46	274.61	0.34	1.10	21	27
Karnataka	14	514 (80)	619 (58)	112.36	595.84	0.21	0.91	27	46
Madhya Pradesh	10	288 (93)	262 (84)	99.66	146.30	0.25	0.48	43	55
Uttar Pradesh	8	98 (62)	148 (83)	41.05	101.80	0.40	0.67	45	48
Bihar	4	—	12 (75)	—	4.56	—	0.38	—	—
Jammu & Kashmir	7	39 (41) (1973-74)	80 (68)	19.36 (1973-74)	28.29	0.35 (1973-74)	0.38	—	40
Maharashtra	5	—	93 (100)	—	31.39	—	0.34	—	27
Orissa	6	19 (86) (1973-74)	26 (59)	12.70 (1973-74)	18.39	0.66 (1973-74)	0.70	69 (1973-74)	48
West Bengal	5	49 (56) (1973-74)	117 (62)	12.97 (1973-74)	32.70	0.26 (1973-74)	0.28	57 (1973-74)	62
Total	22	1503 (70)	1895 (65)	546.96	1576.45	0.32	0.78	34	43

Note: Figures in brackets represent the percentage of societies financed to the total number of societies ceded to the banks.

TABLE II

Credit Gaps in Agriculture

(Rs crores)

State	Total credit requirements worked out	Credit supplied by cooperatives as on Dec. 31, 1974	Credit supplied by commercial banks			Credit gap 2 – (3+6)
			Indirect through cooperatives	Direct	Total	
1	2	3	4	5	6	7
Andhra Pradesh	220.00	53.48	4.13	64.15	68.38	98.24
Haryana	88.30	40.16	2.85	17.39	20.24	27.90
Karnataka	156.00	70.00	8.10	35.22	43.32	42.68
Madhya Pradesh	280.00	102.54	2.29	26.83	29.12	148.34
Uttar Pradesh	375.00	130.00	0.96	44.29	42.25	99.75

Rs 1800 crores and Rs 300 crores for medium-term loans (to be reached in the last year of the Plan), it would appear that the role of the commercial banks will be vital in the coming years for provision of production and investment finance for agriculture.

For this purpose as recommended by the study teams appointed by RBI for some states like Maharashtra, Rajasthan, Madhya Pradesh etc, block-wise credit requirements may have to be worked out by the consortium of banks as well as the respective state governments. Such an exercise may facilitate the banks to formulate credit plans for blocks or districts.

The total membership of the PACS ceded to commercial banks in the five states had increased by about 2.50 lakhs during the last five years i.e. 2.41 lakhs to Rs 4·93 lakhs. This membership growth appeared to be more or less a normal process, The coverage of cultivator households as members of the societies worked roughly to 40 to 50 per cent or even below that level, in all the five states surveyed.

Average Borrowing

The average borrowing membership of societies was less than 100 in all the ten states where the scheme was in operation as on June 30, 1975 and the borrowing membership formed hardly 42 per cent of the total membership for societies financed by the commercial banks. Special efforts are necessary from the field staff of commercial banks and the extension staff of the government to bring as large number of cultivator families as possible in the cooperative fold. A few banks which had qualified and experienced field staff to undertake promotional activities in the rural areas had fared better in the enrolment of larger membership for the societies adopted by them.

To facilitate expansion of loan business of societies, commercial banks should discourage issue of short-term and medium-term loans directly to the individual agriculturists residing in the area of operation of societies and persuade them to become members of societies for availing the required finance.

The banks may also encourage the societies to enrol other sections of the rural community like artisans, petty traders, self-employed persons as members of societies so as to provide credit and banking services to these sections.

Short-term Loans

The total shot-term agricultural loans issued by the commercial banks to the PACS increased from Rs 485.65 lakhs in 1970-71 to Rs 1369.54 lakhs in 1974 75 in the five states surveyed and the average loan issued per society increased from Rs 0.32 lakh to Rs 0.87 lakh during this period. Statewise analysis showed that the average loan issued per society in 1974-75 was Rs 1.10 lakhs in Haryana, Rs 0.91 lakhs in Karnataka, Rs 1.08 lakhs in Andhra Pradesh, Rs 0.67 lakh in Uttar Pradesh, Rs 0.48 lakh in Madhya Pradesh.

Viability of Societies: When the scheme of financing of PACS was initiated in 1969-70, it was felt that the commercial banks with their substantial resources and trained and qualified personnel would be in a position to increase the level of loan business of these societies and inject dynamism in their working and management. However, analysis of the data of societies ceded to commercial banks as on June 30, 1975 has revealed that a large number of societies had not attained viability standards with each, having loan business of Rs 2 lakhs. As on June 30, 1975, the data on frequency distribution of societies according to their loan business showed that of the total number of societies at 2297 financed by the commercial banks, 181 societies had become viable with loan business of Rs 2 lakhs and above (8 per cent), 428 societies (18 per cent of total), had loan business between Rs 1 lakh to Rs 2 lakhs which may be termed as potentially viable. There was still a number of societies i.e. 1688 (forming 74 per cent of total) whose loan business was less than Rs 1 lakh and were non-viable. The slow progress was due to the fact that the commercial banks were required to deal largely with societies whose operational efficiency was already low and the field staff of the banks was also not familiar with problems of rural credit.

Vicious Circle

The survey data have shown that most of the societies were caught in the vicious circle of low volume of business, consequently, low profitability and were unable to employ qualified staff and well-paid secretaries, have independent office premises and build up sufficient reserves.

Existence of a large number of non viable and potentially viable societies ceded to commercial banks in various states with inadequate membership and low volume of business of societies pointed to the need for reorganisation and restructuring of existing societies into viable units. The Reserve Bank had issued necessary guidelines to the state governments for reorganisation of the societies so as to form them into viable units. It is essential for commercial banks to take initiative in the reorganisation of societies ceded to them, in consultation with the local cooperative department authorities.

Integrated Service

As recommended by the National Commission on Agriculture and the government of India, some commercial banks had sponsored organisation and financing of Farmers' Service Societies and viable MP societies in a few of the states which are expected to render integrated credit services for farmers including small/marginal farmers providing at one contact point, all their requirements viz, farm plans, procurement of inputs, technical guidance relating to cultivation, crop protection, land development and irrigation, marketing etc using credit as a facilitating factor. If the banks adopt the policy of routing finance through such societies to be sponsored by them, their contribution to agricultural credit will be really significant.

The state government may have to help the viable multipurpose cooperative societies as well as other PACS already ceded to the commercial banks with necessary assistance for additional share capital and by granting suitable subsidies for appointment of minimum staff including a full-time paid secretary in a society for managing both credit and non-credit activities, for an initial period of two to three years. The paid secretaries of societies

should be trained and oriented so as to equip them to discharge various functions and added responsibilities in the societies.

The survey results have revealed that in certain districts, there were three or more commercial banks which had taken over, each, 4-5 societies for financing. Allotment of specified areas, compact blocks or districts to a particular commercial bank having more intimate knowledge of the local problems, might yield more encouraging results through adoption of uniform lending policy and procedure. With more banks running in the race, in a district/taluka/block, there is iikelihood of unhealthy competition amongst them rendering the task of integrated development of the areas adopted difficult. As suggested by the RBI, a minimum number of 10 societies may be allotted to a branch of commercial bank so as to ensure its operational viability and optimum use of staff.

Area Approach

By adopting an area approach, commercial banks had financed special agricultural projects where groups of farmers were covered either under the schemes sanctioned by the ARDC or the World Bank projects. The ADBs of the State Bank group had contributed substantially for agricultural development in some of the areas. Although the performance of banks under such projects has been quite impressive, concentrated efforts for development of PACS adopted from DCCBs so as to transform them into viable business organisations at the base level, have not so far proved successful and much needs to be done in this direction.

Problem of Overdues : The total advances made by the commercial banks in the 10 states to the PACS had increased from Rs 546.96 lakhs in 1970-71 to Rs 1576.45 lakhs in 1974-75. In the five states surveyed, the increase in the loans issued was from Rs 546.96 lakhs to Rs 1461.12 lakhs in the five year period. Along with this quantitative increase in the loans, there was also a sharp rise in the overdues of banks against societies, formed over 40 per cent of the demand as at June end, over the last five years, which was an unsatisfactory feature of the scheme.

High Overdues

The main causes of the high incidence of overdues were in brief: (a) the banks' field staff had no background experience of rural credit; (b) in the absence of paid secretaries in many societies, the recovery of dues was rendered difficult; (c) many societies failed to comply with the financial discipline laid down by the banks regarding minimum recovery performance (percentage fixed being 30 to 50 of the demand) for eligibility for fresh finance; (d) unfavourable agricultural conditions like droughts or natural calamities etc, in certain pockets; (e) lack of effective follow-up of the borrowers bv the field staff of the banks. Various measures suggested by the committee on overdues of cooperative credit institutions need to be taken for reducing the overdues.

The heavy overdues against societies had resulted in stagnation of credit flow in many areas. Out of 2930 PACS adopted by commercial banks in the ten states, as many as 1035 societies did not get fresh finance for failure to comply with the conditions of minimum repayment. In the five states surveyed, out of 2297 societies adopted and financed, 730 could not get fresh finance in 1974-75.

Financial Discipline

The financial discipline was miticulously adhered to by the commercial banks but not by the DCCBs as the state governments often advised the latter to relax the discipline. The lending procedure to be followby both the banking sectors should be uniform so as to avoid any discriminatory treatment being shown to the societies situated in the same areas.

Assistance to Small Farmers: The data as reported by commercial banks in the five states surveyed, have revealed that the loans issued to small farmers through the medium of societies were less than 20 per cent of their total loans issued to the societies. On the other hand, the total loans issued directly to the farmers owning less than five acres in five states, aggregated Rs 1993.56 lakhs constituting 28 per cent of the total loans issued to members of societies. It appeared that in some pockets, the weak and marginal farmers owning lands of 2.5 acres (unirrigated) and one acre (irrigated) or those having annual income of Rs 1200 availed the concession of differential rate of interest at four per cent. This concession was available only to those farmers who were not members of cooperative societies and such a condition indirectly acted as disincentive to weak and marginal farmers to become members of societies. Suitable modification in the scheme of differential rates of interest is necessary.

One of the objectives of the scheme reiterated that the commercial banks should provide larger quantum of term finance to the members of societies adopted, for creation of investment assets in agriculture. However, the information gathered in this regard showed that the total medium-term loans issued by all commercial banks participating in the scheme in the ten states, had increased from Rs 49.92 lakhs in 1971-72 to Rs 100.57 lakhs in 1973-74, which was the highest figure reached in the last five years ending 1974-75. In the five states surveyed, the medium-term loans issued by the banks through the societies in 1974-75, amounted to Rs 86.88 lakhs only.

Medium-term Loans

Medium-term loans issued by all the commercial banks put together, did not form even 10 per cent of the total short-term loans issued to the societies. On the other hand, the total term finance made available by these banks to agriculturists directly in the five states during 974-75 was reported to be Rs 10,637.20 lakhs. It, therefore, appeared that the banks somehow found it convenient to issue term finance directly, to the selected individual farmers. Generally, the rates of interest charged to the borrowers financed directly varied from 11 to 12 per cent whereas members availing loans through societies had to pay interest at 13 per cent and above, besides contributing to the share capital of societies. Thus, the terms of loans being favourable to the cultivators obtaining loans directly, many of them did not obviously like to enrol themselves as the members of cooperatives. Revision in the lending policy of banks appears, therefore, necessary by

bringing about parity in the rates of interest charged on the loans advanced directly and indirectly through the agency of societies.

One of the common reasons adduced by the banks for the low volume of medium-term loans was that the cooperative land development banking structure with assistance from ARDC, was already issuing substantial long-term loans for minor irrigation and farm mechanisation schemes under the World Bank Projects. The banks, however, discouraged issue of loans meant for purchase of bullocks, milch cattle etc. as these are not easily identifiable for verification.

New Avenues

None of the commercial banks had made any studies in any of the states to explore the avenues of lending term-loans. A survey of those areas not already covered by IDA projects etc, might help the banks in exploring new avenues of lending. There appeared to be a large scope for assisting small and marginal farmers who experienced difficulties in getting term-loans either because of their inability to provide adequate security or due to their inadequate repaying capacity. Joint loans to groups of small farmers for sinking of community irrigation wells, purchase of tractors or for following subsidiary occupations like animal husbandry, poultry farming, sheep-rearing etc could be issued by the banks, through the medium of FSS or viable MP societies.

Loan Policy and Procedure : The survey findings in respect of the 22 financing branches and 231 PACS have not revealed any significant changes introduced by the commercial banks in the lending policies and procedures adopted by the ceded societies. Commercial banks generally followed the guidelines prescribed by the Reserve Bank of India for issuing loans to the societies for seasonal agricultural operations.

There is need for delegation of powers for sanctioning adequate quantum of loans to the Branch Agents to avoid delays in the sanction and disbursement of loans to the societies.

None of the commercial banks had sanctioned separate credit limits to viable PACS or to marketing-cum-processing societies, for undertaking marketing of agricultural produce so as to facilitate recovery of cooperative dues. Where conditions are favourable, a step in this direction may help in the linking of credit with marketing and accelerate the pace of recovery of cooperative dues.

The ADBs of the State Bank group which had made considerable lendings for agriculture directly to individuals had not developed business through the agency of cooperatives. They may adopt FSS, viable MPCS, for the purpose of providing credit facilities for agricultural development in their areas. Similarly, the banks may encourage the societies to provide finance to the non-agriculturist members of societies like village artisans, craftsmen, self-employed persons etc.

Consumption Credit

Commercial banks may provide consumption credit to the weaker sections of the rural community with production credit for agricultural operations, the need for which has arisen in the wake of legislation passed by the state government on abolition of rural indebtedness and moratorium on debts etc in this context, the recommendations made by the Expert Committee under the Chairmanship of Mr B. Sivaraman may be implemented by the banks, with reference to the guidelines issued by the RBI.

Rehabilitation of DCCBs : In the 49 districts allotted to commercial banks for financing the societies in the five states surveyed, there were as many as 41 DCCBs programmed for rehabilitation, between 1966 and 1975. Many banks had not so far achieved adequate progress on the recovery of overdues and in stabilising their financial position. It appeared that many of them were still not in a position to restore credit supply to the societies. In the circumstances, the commercial banks are required to continue in the field for financing the societies in the areas of weak banks. Besides, the multi-agency approach for meeting the production and consumption needs of the agricultural community having been accepted as a national policy, the participation of commercial banks in agricultural finance has now becoma a permanent feature.

Supervisory Role

Arrangement for Supervision: The State and District Advisory Committees constituted for overseeing the progress of the scheme may be activised to evaluate periodically the results of the scheme and to explore further avenues for investment of larger resources in the agricultural sector by the commercial banks, especially for creation of farm assets and for helping the weaker sections.

There is need for rationalising the duties of the field supervisory staff of commercial banks looking after agricultural finance, for maintaining a continuous rapport with the borrowing members of societies as well as for ensuring an effective control over the working of societies financed.

Many field officers of banks who are agricultural graduates and have a technical background can be motivated to offer farm guidance and extension services to the cultivators so as to build up a close nexus with the borrowers. Apart from performing the role of a credit supervisor, the field staff of the banks may have to extend their role to promotional aspects and in developing the activites of societies so as to serve the rural community in a more effective manner.

Refresher Courses

Commercial banks may arrange to provide refreshers' and reorientation training to their officers for guiding organisational or promotional activities in the societies adopted by them.

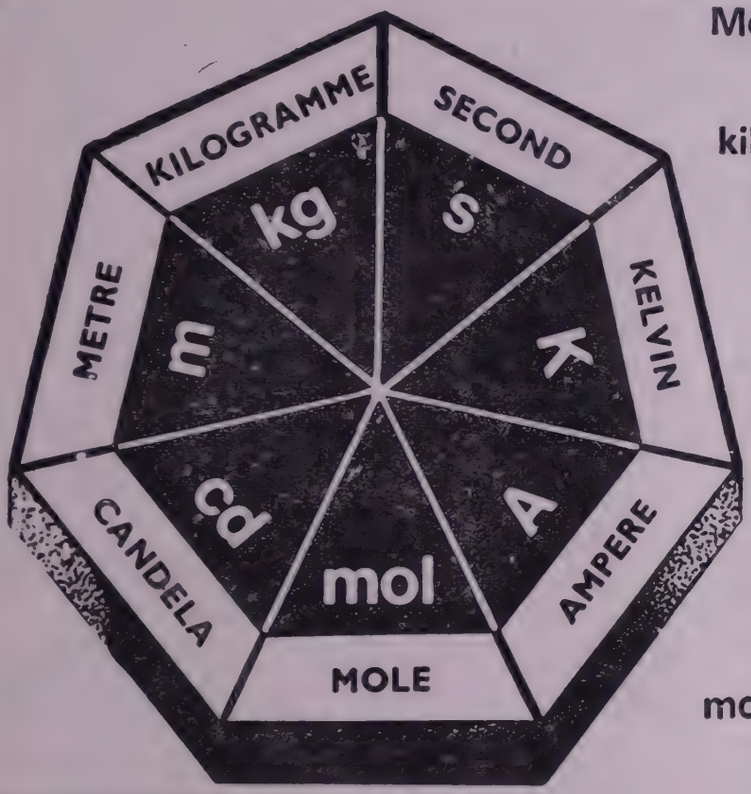
The staff trained in rural finance may also be cadsred in each bank so as to avoid frequent changes or their transfers. Only such personnel as have the aptitude, basic education and experience in rural finance may be recruited so as to equip them for a career in development banking in rural areas.

According to the policy enunciated by the government of India, the banks have to adopt the strategy of dispensing the agricultural credit through the medium of new types of cooperatives like FSS, MPCS, LAMPS which together will form the cornerstone of rural development. The commercial banks, cooperative banks as well as the recently formed regional rural banks have, therefore, a vital responsibility of meeting the increasing production as well as consumption credit needs of the agricultural community, in the coming years.

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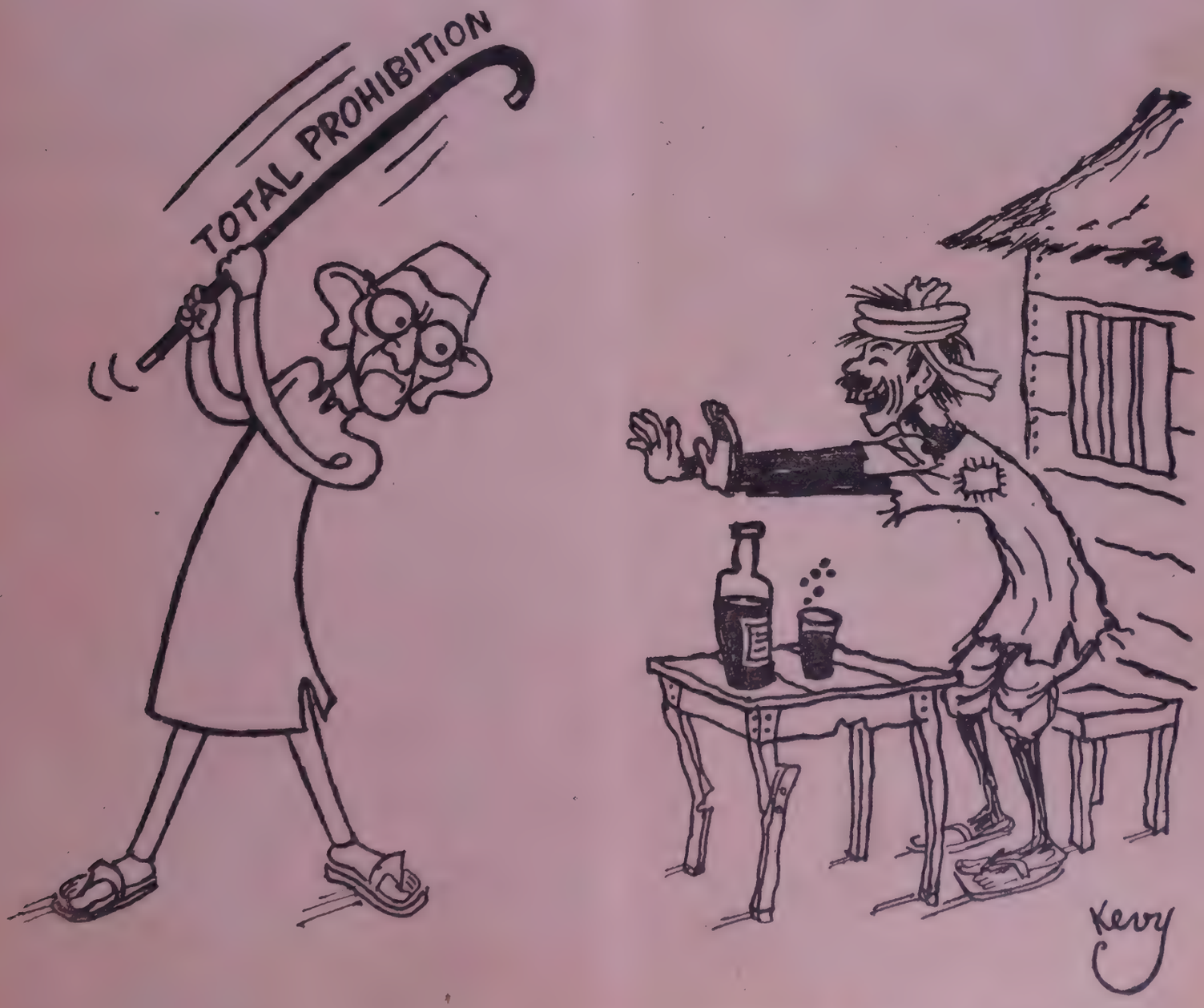


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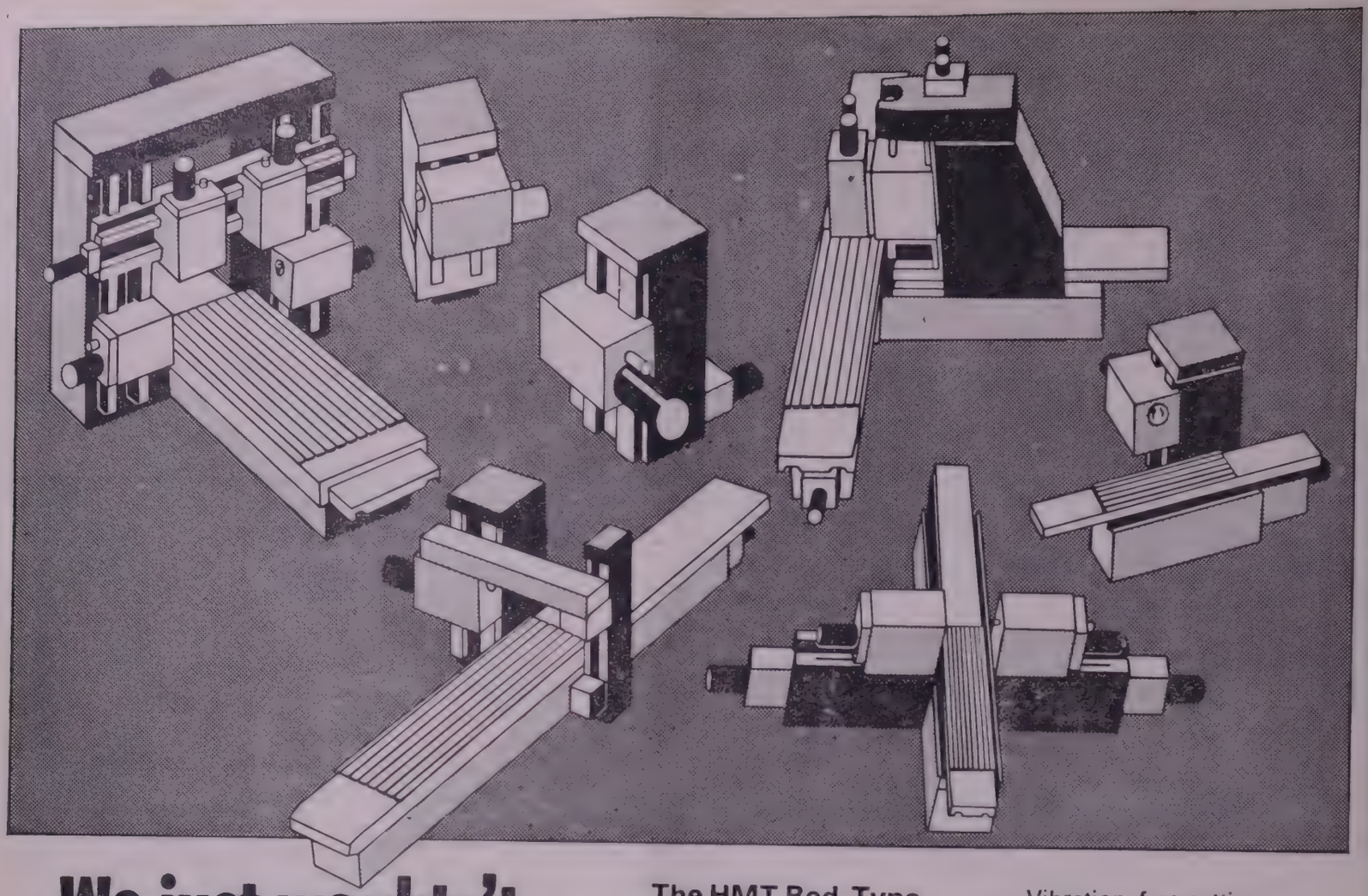
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MISA or no MISA

ALTHOUGH MR Chandra Shekhar's preference for party work was well advertised at the time he was chosen to be the president of the Janata party, it was not to be expected that his ambition for the highest office in the central government would not surface sooner or later. That it should have done this sooner rather than later is to be regretted especially because the Janata party seems to be taking its own time to get over its teething troubles. Perhaps the erosion of Mr Charan Singh's prestige and authority as a Janata elder has prompted Mr Chandra Shekhar to begin his campaign for the succession somewhat earlier than he would have done otherwise.

Be that as it may it is clearly in the public interest that an alarm should be sounded against certain recent activities of the Janata party president which, if unchallenged, might lead to a repetition of the tragedy of the distinction between the ruling party and the government being obliterated. The prime minister, for his part, has been extremely careful to render unto Peter what is Peter's, for nobody realises more clearly than Mr Morarji Desai that once the head of the central government begins to throw his weight about in the affairs of the ruling party, it would not be long before the party president is reduced to the role of a court jester. Mr Chandra Shekhar ought to have been the first to appreciate this situation and make a proper response. But, for reasons best known to him, he seems reluctant to render unto Caesar what is Caesar's.

Given the urgent need for integration, organisational or otherwise, of the Janata party into a cohesive and coherent political instrument, we would have thought that the party president's preoccupation would have been with the affairs of the party rather than with those of the government. Mr Chandra Shekhar's priorities, however, seem to be different. Whether it is industrial policy or the use of the MISA to check or punish anti-social activities, Mr Chandra Shekhar has exhibited an indecent haste to try to make up the government's mind for it even before there has been any *vichar*—to use the Home minister's memorable phrase—about these matters at any *appropriate* level of government.

Especially in the matter of the MISA, Mr Chandra Shekhar seems to have overplayed his hand. In an uncontrolled outburst of spleen against the Federation of Indian Chambers of Commerce and Industry for daring to protest against the Commerce minister's suggestion that the government might have to resort to the MISA if traders do not bring down prices, Mr Chandra Shekhar has not only chosen to uphold the government's right to employ coercive measures against hoarders and profiteers but has also thought fit to prophesy that, unless the business community behaved, the people might take the law into their own hands and "flatten the defaulting business men on the roads". The feelings of hostility and intolerance betrayed by these intemperate observations are frighteningly suggestive of a fascist cast of mind which goes ill with the professions of care and concern for civil liberties made by the party of which Mr Chandra Shekhar happens to be president.

Mr Mohan Dharia, who started the trouble, has perhaps behaved true to form. His naive faith for simplistic solution is only too well known. Fortunately the Janata party is not without resources of more sophisticated thinking. Mr George Fernandes, whose radicalism does not stand in need of being demonstrated by periodical over-statements, has firmly ruled out the MISA for dealing with such malpractices as there may be in the marketing and distribution of essential commodities. He has pointed out that it is quite possible for the government to deal with these offences by exercising its powers under the normal laws of the land. Mr C.B. Gupta, the Janata party treasurer, has declared that there is no moral justification for the Janata government to apply the MISA to any section of society where ordinary laws of the land were enough to deal with anti-social activities. The National People's Committee, headed by

Mr Jayaprakash Narayan, has passed a resolution expressing concern over the utterances of "some of those in authority who have come to believe that economic and other offenders cannot be dealt with adequately without recourse to the MISA". The prime credit for the campaign to arouse the conscience of the Janata party should go, however, to Mr Piloo Mody who was the first to react adversely to Mr Mohan Dharia's cavalier suggestion. It does one good to find that large frame is a generous framework for the right instincts. The true liberal is readily identified and so long as there are individuals of the calibre of Mr Mody active in the councils of the Janata party the moral fibre of that party will not easily rot.

PM's stand

But for the spirited fight put up by the conscientious objectors in the higher echelons of the party, the stratagem mooted in certain Janata circles to place the proposal for the use of the MISA against economic offenders on the agenda of the chief ministers' conference might have succeeded. Not that the prime minister's own stand was ever in doubt. Mr Desai has all along been reiterating his conviction that the regular powers of the government, if properly enforced, are sufficient to round up and punish traders guilty of malpractices. At the chief ministers' conference he made a fervent plea to the state governments to take advantage of the ordinary laws to put down hoarding and profiteering or other abuses which contributed to the rise in prices. It is obvious that the public will be in full sympathy with any action taken by the government under the ordinary laws of the land to protect the interests of the consumers. Moreover effective resort to these measures will be appreciated particularly by those who are against use of MISA both because MISA murders democratic values and because it is by no means essential for dealing with crimes against the state or the people, since they are most anxious that the advocates of the MISA should have no excuse for their attitude. That there is at all even a handful of persons in position of authority or influence in the Janata party who could think in terms of the MISA only makes it all the more necessary for the government to pass legislation early repealing the act. Mr Jyotirmoy Bosu, the CPI(M) leader in fact raised the issue in the Lok Sabha a few days ago urging the Janata government to act without delay on the Janata party's election promise to repeal the MISA. He referred approvingly to the statement made by Mr L.K. Advani, minister for Information and Broadcasting, that the government stood by its commitment to repeal the MISA, while deprecating the stand taken by Mr Mohan Dharia, the minister for Commerce and Civil Supplies, that the government might have to think of recourse to the MISA and the DIR against hoarders and other anti-social elements.

The MISA controversy has some unhappy implications. It encourages the suspicion that at least some Janata leaders have allowed themselves to be rattled by Mrs Indira Gandhi's admonition that the Janata government should devote less attention to political witch-hunting so that it could devote more of its time and energy to coping with the real problems, such as rise in prices and growing unemployment, which are causing distress to the people. It would indeed be a great pity were Mrs Gandhi to succeed in throwing the Janata hierarchy into a panic. Talk of the MISA may also create an impression in the public mind that some Janata leaders, if not the Janata government, have begun to feel helpless and are advocating desperate remedies, not because the objective situation is desperate but because they are feeling desperate. Actually, the economic situation or outlook, however unsatisfactory in some respects, does not justify the Janata government losing its nerve.

It cannot be too strongly emphasised that there is no physical shortage of essential commodities. This is true even of vegetable oils, while other important consumer goods such as foodgrains and textiles are not only not in short supply but are abundantly available. Moreover, with the monsoon happily running a fine course the kharif prospects are positively encouraging and there is every reason to expect that the prices of farm commodities will generally ease in the coming months. Consequently a good part of the current concern over the price situation could be of a short duration. There may however be a real problem with manufactured goods. Although a fall in the price of raw cotton or oilseeds should help to bring down the cost of production of textiles or vegetable oils and vanaspati industrial costs, as a whole may tend to go up unless uninterrupted production is assured through the observation of industrial peace and improvement in the availability of power for the running of factories. It follows that instead of allowing itself to be distracted by talk of the MISA, the

Eastern Economist 30 Years Ago

AUGUST 15, 1947

Independence is not synonymous with democracy. The Indian constitution as far as it has been drafted provides for a truly democratic state. But by and large we have tried to copy the externals of a democratic state. The basis of a truly democratic state can only be provided by an equalitarian society having local and other institutions where a sense of the dignity of the common man prevails. Our country has to live down an ancient social system in which inequality was the rule. Even today despite all the changes that centuries have wrought in our social fabric the essentials of the hierarchical caste ridden society still remain intact. We are not concerned here to appraise its value—it may have its own virtues, but for the building up of a modern democratic state the old Hindu society is a heavy handicap. It is essentially an undemocratic society. In another sense also it is inimical to the growth of a healthy and strong state. The loyalty of the Hindu population is to the respective group, and not the larger entity. Unless this weakness is removed, the future Indian state would continue to be torn by the sectional loyalties of its citizens. As long as we think in terms of our little communities, the interests of the country as a whole would receive only secondary consideration. Then there are provincial divisions which if not confined to legitimate reasonable limits, would create unhealthy and strong centrifugal influences. Some provinces are already thinking that they are the inheritors of the Dominion of India and their leaders tend to act and behave accordingly. The tendency to force the pace in respect of Hindi and Hindustani without regard to the need for time for other provinces to come up to a minimum standard of accomplishment is a sign of ihtolerance and lack of respect. Respect for the human personality is a quality of which India cannot have enough.

government should concentrate on preventng strikes and lockouts in industry and lso on bringing about an early and subtantial increase in efficiency in the eneration and distribution of power, especially in states where this efficiency is ow at a low ebb.

Finally, there is the basic question of he control of inflationary increases in noney supply. Whether we wholly accept he austere monetarist prescriptions of Prof. C.N. Vakil and Dr P.R. Brahmaanda or not, we cannot but entertain a ertain uneasiness about the laxity of scal discipline written into the budget of he central government. It cannot be doubted at all that there will be heavy injection of deficit financing into the economy in the event of public expenditure keeping to budget projections. The Bombay economists had talked of the likelihood of a supplementary budget becoming due. In any case the government will certainly have to provide clearer evidence of fiscal discipline before the year is older. Otherwise, the economy is bound to come under even greater inflationary pressure through rising costs and prices, MISA or no MISA. In that event, blame will not rest on dishonest traders whether they are many or a few. The responsibility will be elsewhere.

The developing crisis in sugar

HE SUGAR industry is again heading for a isis. Unlike about four years ago when e present system of partial decontrol of is industry was introduced to meet the en situation of shortages, the ensuing isis, is brewing on account of plentiful pplies.

Sugar production during the current ushing season ending September 30 is pected to touch, if not cross, 4.82 illion tonnes—an all-time record. It ill mean an increase of about 556,000 nnes over the last year's output of 4.264 illion tonnes and approximately 23,000 nnes over the previous record production of 4.797 million tonnes registered in 74-75. Although attempts have been ade in the recent months to stimulate e domestic consumption through larger leases, particularly of free-sale sugar, it not likely to go beyond 3.8 million nnes—just about 100,000 tonnes more an the consumption last year and approximately 340,000 tonnes more than at it was in 1974-75.

Whereas the large surplus of 1974-75 as siphoned off through allowing in t and the subsequent years exrts of the order of 924,000 tonnes and 21 million tonnes, respectively, the orts authorised during the current son have been not more than 400,000 tonnes, out of which a quantity of 114,000 tonnes still remains to be shipped.

As a consequence, the carry-over stock at the beginning of the next crushing season is expected to be as high as 1.5 million tonnes, as against 1.294 million tonnes at the beginning of the current season and 878,000 tonnes at the onset of the 1974-75 season. On July 15, the industry had a stock of 2.36 million tonnes—686,000 tonnes more than what it was at this time last year. This has already created a serious financial problem for the industry. The situation is likely to aggravate during the coming season when, thanks to a good sugarcane crop and the expansion in the installed capacity of the industry, the output is anticipated to go up to as much as 5.3 million tonnes, taking the total availability during the next season to about 6.8 million tonnes, compared to 5.558 million tonnes last year and 5.675 million tonnes in 1974-75. It is feared that during the peak period of April and May next year, the stock with the industry would reach such a staggering figure as four million tonnes, valued at about Rs 900 crores.

Banking finance of this order is not likely to be available under the present policy of the government. The gap between the requirements and the availability of credit during the peak season, it is estimated, would be as much as Rs 500 crores. One can well imagine that in such a situation the industry will not be able to afford orderly payments for cane supplies from farmers as well as wages to workers. In fact, already the arrears of payments for cane supplies during the current season have gone up substantially and in some factories wages to workers also have not been paid fully.

While the stock with the industry has risen appreciably, the average realisation from the free sale of sugar has gone down from the optimum level of Rs 330 per quintal to Rs 250 per quintal. The industry, it is stated has already suffered a loss of about Rs 50 crores. The situation may deteriorate further if remedial measures are not taken expeditiously. The cost of production of sugar currently works out to Rs 225 per quintal, excluding excise duty. Under the scheme of partial decontrol, on 65 per cent of the output, taken away by the government under levy for distribution through fair-price shops, the industry collects on an average Rs 168 per quintal. The deficit on this account—Rs 57 per quintal—is required to be made up by the industry through open market sales of the remainder 35 per cent production. On this basis, the break-even point is reached at the free-sale price of Rs 330 per quintal.

understandable anxiety

The industry's anxiety to lighten the burden of the accumulated stock is understandable. Besides heavy financial loss already incurred by it, the industry is increasingly finding it difficult to service the stock. Many sugar mills have also not been able to carry out the annual overhaul of their equipment in preparation for the next crushing season.

The solution to the problem obviously lies in stimulating domestic consumption, on the one hand, and an expeditious release of further quantities for export on the other. The export policy enunciated by the Commerce minister, Mr Mohan Dharia, in regard to items of essential domestic consumption does not have any relevance in respect of sugar for the simple reason that the availability of the com-

modity, as reflected by the accumulated stock, is very comfortable.

No doubt the price in the international market has declined considerably from the peak level reached nearly two years ago, but that need not deter the government from releasing a larger quantity for export than has been done hitherto, if the country has to be in the export market on a regular basis. Large exports in a period of tight supplies may not be desirable in the interest of the domestic consumer. But that, surely, is not the case at present. It is also to be appreciated that ad hocism in exports is not in the long-term interests of the country. We cannot remain fair-weather exporters of sugar.

larger export essential

Larger exports this year cannot be expected to push up the price in the domestic market. Some loss, of course, will be involved in these exports. But should the government grudge this when it has already made a handsome profit of approximately Rs 340 crores on exports during the last two years? It is estimated that if exports can be raised to one million tonnes, the loss to be incurred may not exceed Rs 25 crores, even if part of the exports may have to be effected out of the free-sale quota. This year's exports are bound to be taken into consideration for the fixation of our quota under the international sugar agreement which is envisaged to be finalised in the next few months. We must aspire for as large a quota as possible as efforts are now being made to set up a price stabilisation fund under the International Sugar Organisation for buffer-stocking purposes.

The domestic consumption of sugar can be stimulated further to some extent by larger releases of both free-sale and levy sugar. But that is bound to bring down the free-sale price significantly to the detriment of the industry. Consumption, ultimately, can go up only if the price comes down. The industry's proposal in this regard for a reduction in the excise duty on free-sale sugar from 45 per cent to 30 per cent—the level obtainable about 18 months ago when the duty was raised to the present level in the interest of curbing domestic consumption—deserves pertinent note. The reduction in duty, it is felt, can bring down the free-sale price of sugar to Rs 4 per kg from Rs 4.50 per kg at present, which can help in increasing demand by 500,000/600,000 tonnes. The increased sales should offset the loss of revenue to the exchequer from a cut in the excise duty.

A change in the ratio of levy and free-sale sugar from the present level of 65 : 35 to 60 : 40 also can be experimented with, as with the output during the current crushing season having gone up by about 556,000 tonnes, the quantum of levy sugar available for distribution through fair-price shops even according to the revised percentage will be more than the last year's level. Whereas the supplies through the fair-price shops to consumers, thus, will not be much affected even taking into consideration the increase in population, the industry will be enabled to make up some of its losses through increased open market sales.

The reduction in the unsold stock of sugar is warranted from another point of view also. As in the case of the impressive foodgrains stock, large funds have been locked up in the sugar stock. The scaling down of this stock will have a salutary effect on the economy. On the one hand, the stock servicing burdern on the industry as well as the financial institutions will go down, on the other, the arrears of workers' wages and of payments to cane suppliers will be brought down. The consequent increase in the purchasing power of the workers and cane-growers will help stimulate demand for various consumer goods, thereby assisting in countering the current recession in various industries.

The long-term interests of the industry warrant a fresh look at the cane price structure. If the consumer has to be provided sugar at prices within his means, it is imperative that the cost of production is contained. Seventy per cent of the cost is accounted for by cane, the price of which has been put up under the pressure of the farm lobby very significantly in recent years without adequate regard to quality. Cane prices have been fixed mostly on political considerations. With the government also being generally chary of losing revenue through a downward adjustment in taxes, the industry has been hard put to it to contain its sale price with the result that ultimately the consumer has been the sufferer. There is a strong case for containing the cane prices in fact, some downward revision in them is urgently called for. The consumer must get some compensation for the sacrifices he has been asked to make in the past especially when the current cane crop promises to be good as a sequel to benign rainfall.

The sugar industry also needs to be modernised at a rapid pace. It is high time that the old uneconomic units were phased out and replaced by modern units so that the conversion costs could be brought down. Trying to rehabilitate the worn-out plants is not always an economic proposition. It is better to scrap them and wherever necessary in the interest of the farming community, new modern units of economic capacities ought to be put up. The marginal units can be modernised through the scheme of making available rehabilitation and modernisation finance at concessional rates.

INDEPENDENCE DAY ISSUE

The next issue of *Eastern Economist*, dated August 19, 1977, will be a special Independence Day issue. It will include articles from eminent persons in public life on important aspects of the national situation.

Towards a low-cost economy

THE PRIME minister, Mr Morarji Desai, in his address to the conference of chief ministers, expressed concern at the rising trend in the prices of essential commodities and observed that the ultimate solution to this problem could only be the lowering of the cost of production and increasing output. He remarked that the western model of high cost economy was not suited to India. Mr H.M. Patel, the union Finance minister, also urged businessmen, in his address to the annual session of the Associated Chambers of Commerce & Industry, to take systematic steps to bring down the costs of production and thereby lower prices. He asked why whenever there was a rise in taxes, wages or in the costs of inputs, the prices should also go up and he wondered whether industry could not check this trend by improving efficiency and reducing inessential expenditure. In this context, the data sheet, released recently by the Association of Indian Engineering Industry (AIEI) is of considerable interest.

raw material cost

The AIEI has analysed the composition of the factors of production in engineering industry and the movement of production and distribution costs during the last five years, based on a study of the Reserve Bank of India of 1650 larger and medium public limited companies with a paid-up capital of Rs 5 lakhs and above. It covers 410 engineering units, two iron and steel units, three aluminium units and eight other non-ferrous metal units. It has revealed that the costs of raw materials which represent about 60 per cent of the engineering industry's expenditure, steeply increased in 1976 over 1972. The increase in pig iron was 80.6 per cent, iron and steel manufactures 55.0 per cent, aluminium sheets and circles 109.6 per cent and zinc ingots and spelter 136.6 per cent. In the category of fuel and power, the increase in the cost of coal in 1976 over 1972 was 91.0 per cent, electricity 67.5 per cent, kerosene 103.5 per cent and petrol 135.6 per cent. The AIEI has referred to the increase in the costs of production on account of the rise in electricity tariffs. It could also have thrown some light on the impact of power shortage on the cost of production.

bonus issue

The analysis of the labour costs made by the AIEI is of particular relevance at present when the government is considering the bonus issue and the enactment of comprehensive legislation to regulate industrial relations. Labour costs form 14 per cent of the engineering industry's expenditure and 23 per cent of the cost of the iron and steel industry. It is stated that "heavy pressures" have been steadily mounting on this item of expenditure, representing an increase of 54.9 per cent in 1977 over 1974. The minimum wages for unskilled engineering workmen in factories employing 1000 or more increased from Rs 210.00 in 1971 to Rs 392.30 in 1977 (as in May each year), an increase of 86.8 per cent. In the same years for skilled workmen, the increase was from Rs 270.00 to Rs 452.30, or 67.52 per cent. Substantial increases in wages have taken place also in the factories employing fewer than 1000 workers. These figures indicate the total wages (basic plus DA) and do not include the fringe benefits which, according to the AIEI, "considerably increase the burden of engineering companies on their salary and welfare accounts".

Another significant revelation relates to transport and financing. Long haul rail transport charges are estimated to have increased by more than 40 per cent for most of the iron and steel items in 1977 over 1974 while shipping freight from Calcutta to the UK/continent rose by 19.5 per cent in 1977 over 1975. Interest charges to be paid on borrowed capital also rose sharply in 1975-76 over 1972-73. The increase was of the order of 25 per cent to 64.7 per cent in short-term commercial banking rates and 12.8 per cent to 38.1 per cent in long-term financial institution rates. However, despite the substantial rise in various costs of production, the engineering industry's profitability recorded an overall improvement during the period. Profitability as represented by profits after tax as percentage of net worth went up from 13.3 per cent in 1972-73 to 15.9 per cent in 1974-75.

The central government, the Planning Commission and the state governments should study the implications of these statistics and adopt appropriate policies which will encourage the engineering industry to undertake programmes of expansion and diversfication, reduce costs of production and create more opportunities for employment. The fact that the overall profitability has improved does not, of course, indicate the soundness of the health of the industry as a whole. There are many units which have become sick, or are on the verge of becoming so, due to lack of demand, labour trouble or other causes. Some units also remain closed.

pragmatic policy needed

It is true that in many cases the government cannot do much to control the rising costs of production. But there are also many areas where official policy can become more pragmatic as, for instance, in regard to indirect taxation. The indiscriminate manner in which the central and the state governments have raised excise duties and other levies has been one of the major factors that have contributed to the steep increase in the costs of production. It is hoped that the union Finance ministry will take prompt action on the recommendations of the Jha committee and evolve a system of indirect taxation which, will provide an impetus to industry to grow and work on a profitable basis.

The engineering industry is becoming increasingly important in the country's foreign trade. Earnings from the export of engineering goods are expected to reach about Rs 1000 crores per year in the near future. Our engineering goods have to face competition mainly from countries such as Britain, West Germany, Japan and the USA where industries are given all opportunities to modernise continuously and take advantage of the latest developments in science and technology. Therefore, the engineering industry in India should also be given necessary facilities to improve its production and productivity and contribute effectively to more production, more employment and more exports.

Indira Gandhi and Eastern Economist

This instalment concludes the series of reproduction of extracts from the previous issues of *Eastern Economist* relating to the stand taken by this journal vis-a-vis Mrs Indira Gandhi from the earliest days of and at critical moments during her prime ministership.

From the Leading Article, August 22, 1969

THE MAIN casualty in this presidential poll was not the man who happened to come second best. It was, quite bluntly, the place of Mrs Indira Gandhi in the public life of our country. Her claim to the high office she holds has been that she is better fitted than any other Congress leader to preserve and promote the solidarity of the Congress party and thereby ensure a high degree of stability in the politics of the nation. That claim now lies shattered in the dust by an act of her own free will.

It matters little what provocation she has had or even what her motives are. What must weigh with the people of our country is that she may have thrown a pearl away richer than all her tribe—the pearl, that is, of the orderly political and economic progress of the country. It is perhaps not strictly necessary at this stage to take too gloomy a view of the prospects of political stability in the nation or even of the viability of the Congress party. The number of one's fair-weather friends is notoriously and always much larger than the count of those who are to be found fighting to the last ditch by one's side. Nevertheless, by her intolerant, intemperate, and preposterously egotistical behaviour during a period when grave issues of good government or political stability were at stake, the prime minister has riven the minds of men and women across the land with grave apprehensions about her capacity for heading the government or leading the country in times of peril, external or internal. It may take longer for these fissures to heal than for Congressmen to reunite for their survival.

•

From "The Moving Finger Writes" August 22, 1969

Writing these lines on the eve of Independence Day, I must say that, for the first time since August, 1947, I am ashamed to call myself an Indian. I agree that the heavens do not come down when ministers are divested of their portfolios," banks are nationalised or a political party divides or even destroys itself. But the death of the Congress party, which now seems to be taking place, is occurring in circumstances which have conspired to make it an almost obscene process. This is not the way a political organisation, which was once a national movement, should be done to death. This vile butchery has brutally exposed the extremely low levels to which the morals and manners of public life have sunk.

Let me quote only one fact to show how rotten things have come to be in the state of Denmark. An anonymous pamphlet, levelling the most scurrilous accusations against the official Congress candidate for president, found its way into the central hall of parliament on the morning of Wednesday, the 13th. Predictably, this filthy publication was attributed to communist sources, but it is clear that there were quite a few among Congressmen who were finding it difficult to hide their glee over the perpetration of this scandal sheet. Whoever is (or are) responsible for this atrocious violation of the norms of party politics cannot surely have an easy conscience on Independence Day.

* *

In the midst of all the vulgarity of the factional strife which has been raging in the Congress party, two Congress leaders have emerged not only without damage to their name or record but with a heightened claim to the administration and respect of the public. One of them is Mr Nijalingappa and the other is Mr Morarji Desai. The Congress president, indeed, has risen to heroic heights in upholding the principle of the unity of the party and the right of the party to have the first claim on the political loyalties of its members. Mr Nijalingappa, whose health has not been too good lately, has had to stand up to tremendous physical and mental strains, but his ordeal only seems to have stimulated him to draw on his reserves of character and temperament which have helped him to maintain a stance of dignified firmness in the face of provocations of many kinds. It must, indeed, be an unusual experience for the head of a party organisation to have been abruptly faced with a charge of having compromised the principles for political fortunes of his party by secretly conspiring with other political groups. Even this onslaught, however, has not succeeded in making Mr Nijalingappa lose his cool. Throughout this hectic week, he has not merely been correct in his behaviour, but has frequently gone out of his way to show consideration or courtesy in return for studied offensiveness.

As for Mr Morarji Desai, his interview with *The Statesman* which was published in the issue of that paper dated August 14, 1969—as well as his statements on the presidential poll—has confirmed his stature as a knight without fear or reproach. In a situation in which it should have been easy for him to yield to the temptation of indulging in self-righteousness or dwelling on his own grievances, he chose to discuss, in a dignified and dispassionate manner, the larger issues of good government, political stability and public morality. What struck me most here was that there was no trace of rancour in Mr Desai's observations relating to current developments, some of which have been so disagreeable to him personally. This is not the first time that Mr Desai is politically down and once again he has shown that, in his case, the compulsions of political successs, or even survival, cannot overcome loyalty to certain principles of personal or political conduct.

* *

The following headline in a recent issue of *The Hindustan Times*, I confess, misled me for a moment; "Reality gets warped with fickle woman". I thought that this referred to the political situation. It did not. What followed the headline was a review of a play.

(*Extracts from V.B.'s column*)

CAPITAL'S CORRIDORS

R. C. Ummat

Finance Bill • Tube manufacture • Machine tools industry's progress

As was expected, the ruling party, which has a comfortable majority in the Lok Sabha, could get all the five amendments to this year's Finance Bill rejected in this House. These amendments had been forced by the opposition in the Upper House because of its overwhelming majority there. The amendments recommended by the Rajya Sabha were : (i) the deletion of clause 13 of the Finance Bill which provides that capital gains on the transfer of capital assets would not be charged in certain cases; (ii) insertion of an amendment in clause 15 to provide that an amalgamating company absorbs in full the staff and labour of the amalgamated sick unit; (iii) the deletion of clauses 20 and 21 relating to exemption of closely-held companies from paying dividends; (iv) amendment of the third schedule of the bill so as to exempt bidis from excise duty; and (v) deletion of clause 3 in the bill amending section 2 of the Income-tax Act.

no concession

The union Finance minister, Mr H.M. Patel, with the full backing of his party, refused to yield any concession in his budget proposals as adopted earlier by the Lok Sabha. He pointed out that the recommendations made by the Upper House were no different from those proposed by the opposition in the Lower House during the clause-by-clause consideration of the Finance Bill when it was first adopted by the Lok Sabha. They had already been discussed fully by the Lower House and rejected.

Dealing specifically with the amendments effected by the Upper House, Mr Patel reminded the opposition that in so far as the enhancement of the excise duty on bidis was concerned, it was the Congress government which had first introduced this levy at the rate of one rupee per thousand bidis. He, therefore, failed to understand how a modest increase in this duty, as suggested by him, could be considered a terrible blow to the common man.

modest incidence

Mr Patel pointed out that the argument that the increase in this duty amounted to favouring the cigarette smokers as against bidi smokers did not hold any water. The total incidenee of taxation on the ex-factory price of bidis would be only 14 per cent, whereas the incidence of taxation on cigarettes, which had already ranged from 150 per cent in the case of the cheaper varieties to 370 per cent on the more expensive ones, had been stepped up by about seven per cent. He further pointed out that the collections from the duty on bidis would be only about Rs 64.5 crores, as against Rs 404.35 crores from the levy on cigarettes.

Defending his proposals about investment allowance and capital gains, the Finance minister emphasised that they had been made in the interest of promoting investment into productive channels which would help in generating competition, which, in turn, would help in lowering prices. He did not agree that the reduction in the holding period for the assessment of tax on capital gains would encourage speculative deals. The proposed reduction in the holding period, he stressed, was intended to help the ordinary investors to arrange their investment portfolios from time to time which would improve mobility.

Referring to the recommendation of the Rajya Sabha that the concession in the Finance Bill relating to amalgamation of sick units with the viable ones should be available only if the amalgamating company absorbed in full the staff and labour on the rolls of the amalgamated company, the Finance minister pointed out that the government would be safeguarding the interest of workers in such cases. The recommendation, therefore, was unnecessary. He criticised the opposition members for posing themselves as the sole protectors of the working class.

closely held companies

Defending his proposals regarding the taxation of closely-held companies, Mr Patel emphasised that they were unlikely to be misused by the companies when the rate of corporate tax was nearly as high as the maximum rate of personal taxation. He also did not agree that his proposal would accentuate concentration of economic power. The conversion of undistributed profits of the closely-held companies into bonus shares, he emphasised, would ensure that the profits were not frittered away for personal consumption and were permanently ploughed back into business. He pointed out that both the Wanchoo Committee and the Bhoothalingam Committee had recommended even more far-reaching reforms in this regard. He had not gone that far and had only proposed to exempt the closely-held industrial units from the requirements of compulsory distribution of dividends.

Mr Patel reminded the House that the primary aim of this year's budgetary proposals was to keep deficit financing to the minimum in the interest of containing the inflationary tendencies. Any further concessions in his budget proposals, therefore, could not be conceded.

* * *

With a view to augmenting the production of seamless tubes, particularly of large diameters, the union government is understood to be considering a proposal for setting up a seamless tube making unit at the alloy steel plant at Durgapur. Already a spirally-welded pipe plant with an annual capacity of 55,000 tonnes per annum for producing pipes ranging from 18" to 55" diameter has been commission-

ed at the Rourkela steelworks for catering for the requirements of the oil industry. The Bharat Heavy Electricals Limited is also setting up a plant at Tiruchi to produce seamless tubes of diameter ranging from 14 mm to 159 mm to cater for not only its own requirements but also of various other industries. The proposed Durgapur unit is envisaged to produce seamless steel tubes of diameter ranging from 165 mm to 385 mm to meet the requirements of drilling/casting pipes and boilor quality pipes.

diversified pattern

The establishment of the proposed unit will not only help in diversifying the product pattern of the Durgapur steel complex and save a good deal of foreign exchange currently being spent on imports of such tubes but also augment the country's capabilities to export steel tubes. A large number of private sector companies as well as the Rourkela steel plant are currently exporting sizeable quantities of steel tubes to as many as 55 countries which include Abu Dhabi, Afghanistan, Australia, Bahrain, Burma, Sri Lanka, Cyprus, Denmark, Dubai, Ethiopia, FRG, Hongkong, Indonesia, Iran, Iraq, Ireland, Jordan, Kenya, Kuwait, Malawi, Malaysia, Mauritius, Oman, Nepal, Nigeria, Bangladesh, Saudi Arabia, Singapore, Somalia, Sweden, Tanzania, Egypt, UK, USA, USSR, Yugoslavia, Zambia Cyprus, Philippines, etc.

Thirty-eight units in the private sector are at present manufacturing black galvanised welded mild steel pipes and tubes, nine ERW precision tubes and two stainless steel pipes and tubes. One private sector unit is manufacturing double walled copper-coated bundyweld steel tubes, four conduit pipes and three metallic flexible tubes. Eight private companies are producing large diameter steel fabricated pipes. The seamless steel tubes are being produced in the private sector by the Indian Tube Company Limited, Jamshedpur. As stated above, the manufacture of spirally-welded steel pipes has been taken up at the Rourkela steelworks.

* *

Reviewing the progress of the machine tools industry in the recent years, the latest annual report of the Development Council for Machine Tools reveals that notwithstanding the recession that hit the industry in the past couple of years, it was able to register a modest improvement in production in 1976-77 to Rs 117 crores from Rs 114 crores in 1975-76. But a more encouraging fact has been that the industry is able to meet today 75 per cent of the internal demand, as compared to just about 36 per cent six years ago. The development of design capability has made its impact. While in the early 1970s, 80 per cent of indigenous production was based on imported technology, slightly less than 50 per cent output is now dependent on this technolgy. This is expected to go down further to 30/35 per cent by next year. On the export front too, the industry has made commendable strides and its efforts in this direction earned for the country last year nearly Rs 10 crores.

doubling the demand

The report says that a sub-committee of the council has estimated that the total number of machine tools likely to be required for domestic consumption in 1978 would be approximately 15,000 numbers. The demand is likely to go up substantially during the sixth Plan period, which may require near-doubling of the present capacity by 1983-84. This takes into account that nearly one-fourth of the capacity would be utilised for export purposes.

The council, however, feels that the actual consumption and pattern of demand in any one year will depend very much on the rate of growth of the machine tool using industry and more so on the ready availability of the right type of machines, particularly high productivity machines at economic prices. Further, taking note of the fact that the machine tools required 10 years hence would have to be more productive, the council has emphasised the necessity of constant interaction between the users and producers of machine tools. It has also been recommended that the creation of additional capacity should be preferably by the natural growth process and the expansion of the existing capacity.

The technology plan for the machine tools industry, the council has stressed, has to go through a continuous evaluation process. The Central Machine Tool Institute and the Directorate-General of Technical Development, it has therefore been suggested, should have continuous dialogue with the interests concerned for updating this plan on a regular basis.

adequate facilities

The council feels that in so far as general machine tools are concerned, there are adequate facilities and expertise available in the country. The development of such machines, it emphasises, is largely linked with an economically viable market. The collaboration proposals for such machines, therefore, should be allowed in future only on a highly selective basis.

The council has endorsed the estimates of demand and the production targets drawn up by its sub-committee for portable electric tools for the next few years which envisage internal demand for such tools to grow to 120,000 numbers by 1985 and 160,000 numbers taking into consideration that the export target for these tools should be put at 25 per cent of the capacity. The council has recommended R & D investigations for substitution of cast bodies of plastic mouldings for portable electric tools as this would considerably reduce the weight-power ratio. The council also feels that since these tools are used mainly in the industrial sector, the manufacturers should undertake production of heavy duty ranges also.

The council has also accepted its sub-committee's estimates of the demand and production targets for the oil hydraulic industry which envisage the demand for oil hydraulic equipment to grow to Rs 24.5 crores by 1980. It has stressed the need for developing good quality oil seals, 'O' rings, etc, for it thinks that the uncertain reliability of these important accessories seriously affects the quality of oil hydraulic equipment. It has been recommended that more standards should be formulated in the oil hydraulic field so that continuous manufacture and availability of accessories can be ensured. It has also been stressed that suitable steps should be taken to establish, as quickly as possible, the production of quality oil seals and packings, filters, etc.

Distributed data processing: tool for managing large organisations

J.G. Krishnayya
S.K. Sharma and
N. Viswanathan

Distributed Data Processing (DDP) is a cencept which has emerged on the computer scene rather quietly and is now building up rapidly with the strength of a storm. This concept, evolving through the fusion of advances in technology and the demands on the computer as a managemen tool, has enabled small manufacturers of computer systems in the USA to send shivers down the spine of multinational giants like IBM. In this article the authors who are connected with the Systems Research Institute, Poona, consider the relevance of the DDP concept to the Indian situation and suggest how it could influence the computor technology in our country.

THE ROLE of a computer in a business or orporate environment is totally different rom that of a computer in a research-riented academic environment. In the atter case, generally a large machine with ubstantial number-crunching capability nd very flexible software is required, ecause the kinds of problems brought to ne machine for analysis could have very arge variety.

In contrast with this, when it serves as tool for managing a business, the com-uter needs to perform a limited number f functions but with speed and great eliability. We note also that the system eing managed has a specific organisa-onal structure and a well defined pattern f needs regarding information flow and nalysis. Considerations other than mere omputing power, such as cost, reliability nd *conviviality* or ease-in-use, gain con-derable importance when we view com-uters in a managerial environment.

use in India

The first digital computer came to India ver twenty years ago, and now there are ore than 300 all over the country. Most these computers are being used for rge scale arithmetical operations in search and academic institutions. In siness enterprises, the computers are ed for accounting, payroll and similar mple, straightforward applications. As matter of fact in a survey conducted cently, out of 115 respondents only three ganisations reported use of computers managerial decision making.*

The whole of the computer scene in India shows a lopsided approach to utilisation. There seems to be a total neglect of the priorities sector-wise, function-wise and application-wise. If we examine the situation closely, we find a wrong pattern of utilisation. Very few of the obvious priorities have been followed. From figure 1 we can see that most of the available computer power is applied in the peripheral sectors of the economy, rather than

POINT OF VIEW

in core sectors. We also find that even when computers are provided to 'core' sector institutions they are generally used in 'peripheral' functions. Rumour has it, for instance, that the Department of Electronics which is prepared to license 30 or more (imported) systems a year does not receive as many well-prepared project reports (See Figures 1 a, b & c.)

The reasons for the situation portrayed above are also not very far to seek. The growth of technology in the computer field in the early 60s was mainly oriented towards bigger and more general-purpose machines which could store and handle larger and larger chunks of data.

The technology of bigger machines forced the organisations using them towards centralisation of most information processing functions. This obviously meant centralised decision-making as well, since most of the relevant information and the analytic capability was concentrated in one central place.

This centralisation went well with relatively small organisations or those with geographically concentrated operations. But corporations or government agencies which were large, and which had geographically dispersed organisations were uncomfortable under centralisation. Efficiency dropped, time delays mounted. Their field managers began to fret under the "autocratic" conditions wherein decisions were always taken by the higher echelons, which were *out of touch with the environment*. Their inability to respond to external changes in time finally forced the top managements to look for an alternative.

tele-processing

In the west, the answer came first in the form of 'tele-processing'. This was made possible by the superb telecommunications infrastructure already existing in Europe, North America and Japan which enabled branch offices which were geographically away from the headquarters to be connected up over telephone lines with the main 'big' computer at the headquarters.

Centralised 'tele-processing' quickly replaced centralised batch processing by the late 1960s, but it had serious problems.

(a) With a single 'big' computer coupled to lengthy telecom circuits involving complicated interfaces, system failure is always a big risk.

(b) Any query or task coming from a field office over the lines must join a 'queue' and await its turn for processing, adding to line costs and to chances of failure.

(c) Field managers have a psychological impression of continuously "reporting to the headquarters" and do not feel comfortable about sending away imme-

*Computers in India–an Overview': Gopalkrish- and Narayanan; Popular Prakashan, Bombay; 5.

diately all kinds of raw data, since it may be misunderstood at headquarters and reflect on their performance.

(d) The headquarters computer staff are the target of much hostility as the 'masters'. Often they have to make software-system changes without necessarily involving the field managers in previous consultation.

(e) The initial cost of hardware and line rentals is very high. Quantum jumps in investment are then required to expand the computer system if the expanded work load so demands, for larger and larger core memory is required to hold down line costs!

From a purely technological angle too, centralisation caused difficulties—the data bases became unwieldy: safeguarding against line failures and tele-processing problems added immeasurably to software complexity and made operating conditions difficult; the CPU would often overload to further upset schedules. To solve these problems, people were obliged continuously to upgrade CPUs or to ration the availability of the on-line tele-service. However, these "solutions" were only temporary.

The idea of distributed data processing (DDP) was introduced at this stage. In distributed processing the processing logic and the relevant user files would be located physically at the place where the operations occurred. This simultaneously eliminated the problem of data communication costs and failures, and restored the line manager's control over his own data and even gave him ad hoc access to it, without reference to the EDP unit, which he never had before.

Meanwhile the "minicomputer revolution" had changed the rules of the game, too. Miniaturisation of electronic circuitry made it possible by 1968 to pack a roomful of electronics into a desk-sized box. By taking a fresh approach, the designers of minicomputers were able to provide higher speed and greater flexibility for a low price. Instead of making machines that, dinosaur-like, grew larger and larger, they succeeded in making smaller systems which could be used alone or in modular repetition and were much cheaper and, naturally, more reliable (See Figure 2). In January 1977, IBM finally capitulated to the new trends and brought out its first

Fig.1

The distribution of computer power in India today - sector-wise and function-wise

Fig.1.a

(How it should be)

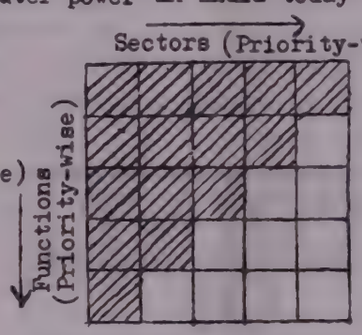


Fig. 1.b

How it is in Public Administration

Admn. Functions \ Sectors	Public Utilities	Revenue Depts.	Food Distribution	Defence	Finance & Banking	Foreign Trade	Science & Technology	Other Govt. departments.
No. of computers(1975)	30	8	0	n.a.	4	0	35	15
Planning & Project Analysis								
Decision & Catalytic Functions							▨	
Revenue Collection, Accounting	▨				▨			
Project Management	▨			▨				▨
Budgetary Control								▨
Parliamentary Reports								▨
Manpower Development								
Pensions, PF, etc.				▨				▨
Statistical Reports	▨	▨		▨				▨
Payroll	▨			▨	▨	▨	▨	▨

Fig. 1.c

How it is in Industry and Business

Business Functions \ Sectors	Mining and Petroleum	Process Industries	Heavy Industry	Drugs	Light Industry	Consumer Goods
	7	8	21	4	51	19
Production Planning & Scheduling	▨		▨	▨	▨	▨
Distbn. Logistics			▨	▨		
Forward Planning						▨
Management Reports	▨	▨	▨	▨	▨	▨
Design	▨		▨			
Stores	▨	▨	▨	▨	▨	▨
Invoicing, Billing, etc	▨	▨	▨	▨	▨	▨
Sales Analysis	▨	▨		▨	▨	▨
Financial Accounting		▨	▨	▨	▨	▨
Payroll		▨	▨	▨	▨	▨

minicomputer for the DDP market—significantly this new product was labelled the "System 1".

Distributed Data Processing (DDP) is a concept which has emerged on the computer scene to give actuality to decentralised systems of management for large organisations. It is especially relevant to government agencies in the light of the oft-repeated emphasis on decentralisation heard in policy statements by the new government.

Certain developments in technology have now provided an alternative superior to tele-processing in many ways. The advent of "MOS" and Large Scale Integration (LSI) semiconductor circuits in the early 70s have brought about a decrease in size of computers by a factor of 20 and decreases in cost by a factor of 5 or more while increasing the power, speed and reliability of the machines. (See Figures 3 & 4).

These new technologies and their effect made the concept of DDP, which was very sound in theory and known for some time, practicable and cost effective for the first time. Nowadays, the share of the capital cost represented by peripheral devices—disc storage, printers, terminals—and the control software is much greater than that of the electronic hardware. This means many more choices the customer must make. Also, the cost of punch cards (currently over 10P) and printer paper (now about 10P a sheet) is mounting at about 15 per cent a year. These new economic facts call for a new way of looking at computer use.

The price break-up of typical computer systems is instructive.

1967 Batch System	
CPU	40%
Software	20%
Storage	30%
Input-output	10%

1972 Tele-processing System	
CPU	25%
Software	25%
Telecom	10%
Storage	20%
Terminals	20%

1977 DDP	
CPU	15%
Software	25%
Storage	30%
Telecom	5%
Terminals, etc.	25%

The DDP concept is actually an adaptation of a thumb rule well established in data processing in organisations—namely the 80-20 rule. This rule states that "Put the processing power where 80 per cent of the work is done (or results needed)".

We derive from this rule the DDP definition: 'The ability to place computer processing power where it is needed in the organisation'. It can be seen that data communication is not strictly a part of the definition. It becomes relevant when the DDP concept is implemented in a network form to facilitate the management of a geographically-dispersed and organisationally decentralised organisation.

Technically, DDP is based upon minicomputers which are dedicated to specific users—managers, departments or offices—because they are cheap and small and because even a single application may result in high utilisation efficiency on a mini where it would be impracticable on a conventional machine. There could also be certain files (data) which are common to all the modules which are part of a DDP system; sometimes these are shared, sometimes copied.

the characteristics

A DDP system implemented using the above mentioned philosophy will have the following characteristics:

1. There will be a network of processing nodes which are functionally or geographically distributed and which are connected by some form of communication link (a telephone line, a telex circuit or even posted or hand-carried cassettes or diskettes: these are the size of a 45 rpm. record and hold 256,000 characters).

2. Data is stored and manipulated at each node in such a manner that the data base is spread throughout the network, yet is accessible, if needed, to all the nodes.

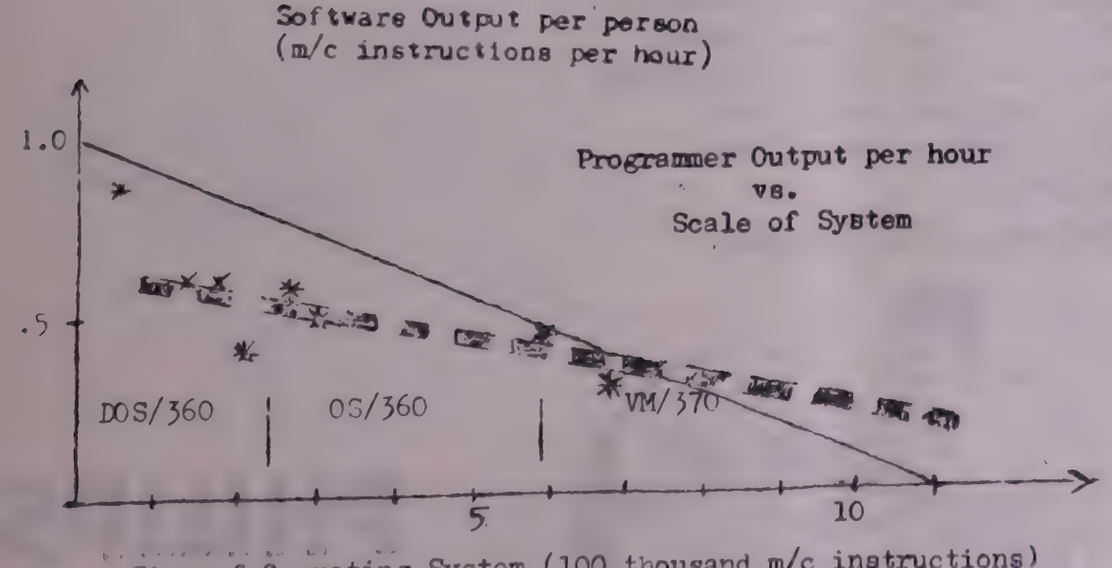
3. Hardware and software purchase and development is under coordinated control so that all these elements function as one network system.

For the first time, using the DDP concept, any management can create an information communication and processing network almost exactly to match its organisation chart, and its information flow processing needs.

Because of its characteristics the potential of DDP can be best utilised in organisations which have the following characteristics:

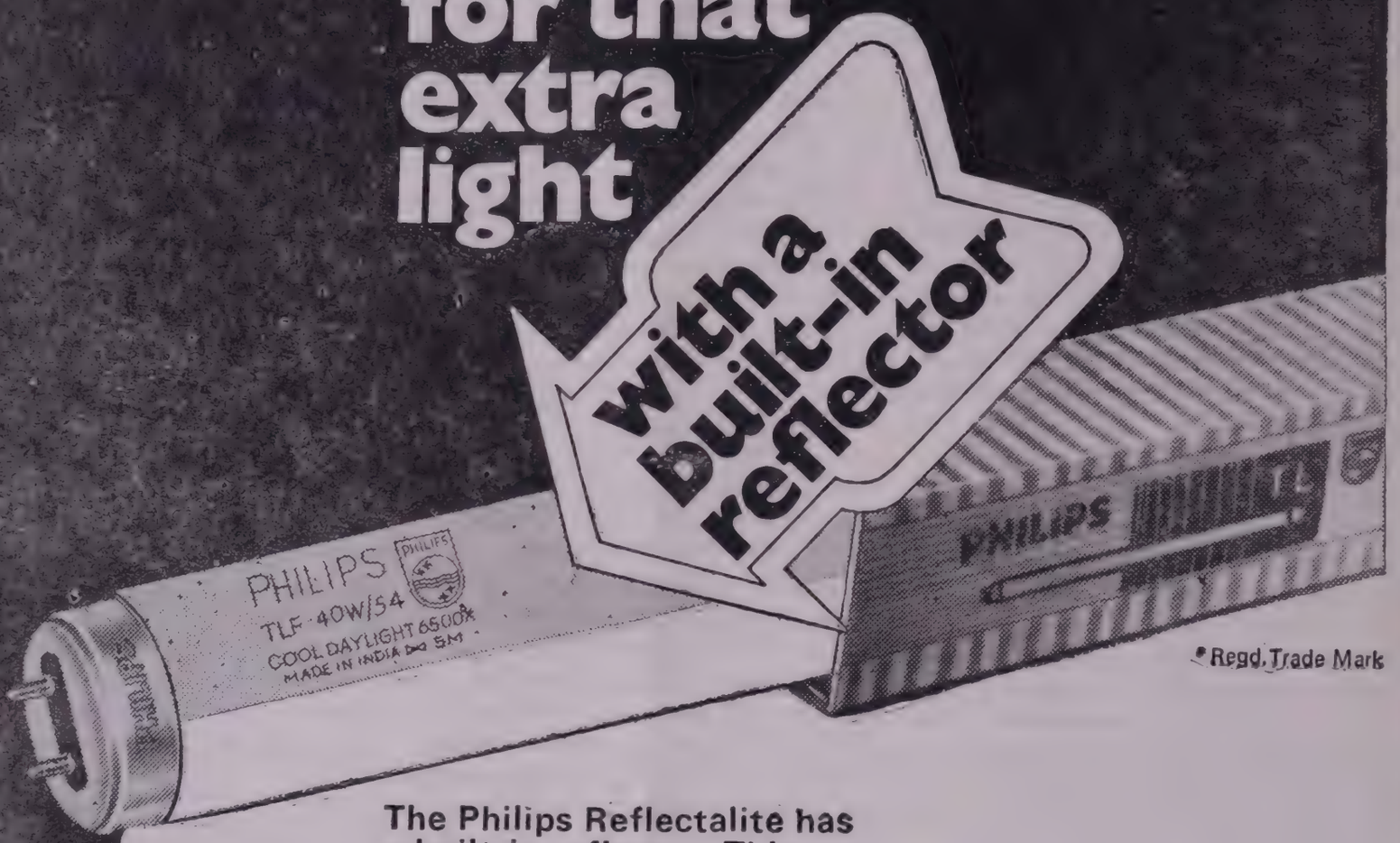
(i) A geographically or functionally dispersed hierarchical system where each

Fig. 2



Philips 'TLF'* Reflectalite for that extra light

with a built-in reflector



*Regd. Trade Mark

The Philips Reflectalite has a built-in reflector. This helps reflect as much as 60% more light where you need it—downward. Thus light is not wasted on the ceiling. Also, in dusty conditions, light output is not affected by dust that may have collected on top of the tubelight.

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of the dispersed subsystems have a substantial volume of operations.

(ii) Along with the geographical and/or functional dispersal, the subsystems also have been delegated authority and responsibility for the decisions needed to conduct their operations.

(iii) The "variety", both external and internal to the system, is quite large (e.g. in an organisation engaged in manufacturing and selling, there could be a number of manufacturing units, a wide range of products, and numerous types of customers.

(iv) There exists a need (a felt need or a deliberate policy, or both) to reduce the lead time involved in responding to internal and external changes. This may be because of a highly competitive business environment, as in the USA, or because of changes in demand and supply, or scarcity conditions as in India. In other words, quick decision-making is required. Early decisions are needed which are based upon adequate analysis of actual real-world data.

(v) There is need for some degree of lateral flow of information. Various subsystems not only report to the headquarters but also exchange information among themselves.

In such organisations information flow/processing cannot be handled, all, in a batched mode at a central office as is the practise today in India, nor can it be done efficiently with centralised processing—even if tele-processing were available or economical—because of (a) the sheer bulk of information, (b) the variety and complexity of the information, and (c) the pressure of time. Therefore it becomes necessary that each element (node) of the system has its own local in-house data processing capability, so that the internodal information flow and internodal information analysis for decision-making becomes manageable.

Technologically DDP is ready-to-use: all the hardware is available (there is even a variety of manufacturers to choose from); often the philosophy of the top management, as in government today, is already conducive to decentralisation—but a better understanding of DDP is needed in order to exploit its full potential.

DDP can be effectively used only if the organisation has adopted the philosophy of decentralised decision-making. Each node should have definite decision-making authority and a related need for information collection, storage and analysis. This is, of course, in contrast with a situation where all the nodes report the raw data to the headquarters and are handed down their decisions.

The DDP concept has been used by some of the largest and most hard headed, professionally managed organisations in the USA—they include such well-known institutions as Citibank, New York, Missouri Pacific Railway, Bank of America, J.C. Penney & Co, Republic Steel and others.

In our country there are numerous organisations which have thec haracteristics most amenable to applying the DDP concept. And fortunately—we can say with hindsight—most of them have not yet made much use of computers for decision-making. Firstly, there are the logistics system of commodities crucial to the development of our economy, viz, food, steel, coal, petroleum, cement etc.

Take the example of steel distribution by SAIL. It has all the characteristics which make it an ideal candidate for use of DDP, viz.

1. It is a geographically dispersed hierarchical system with its headquarters at Calcutta, plants at Bhilai, Bokaro, Durgapur, and Rourkela, with seven zones, 24 branches and 56 stockyards located all over the country.

2. The variety of products handled by the system is quite large: approximately 1500. There are various categories like structurals, rounds, flats, etc and within each category there are different sections, sizes and qualities.

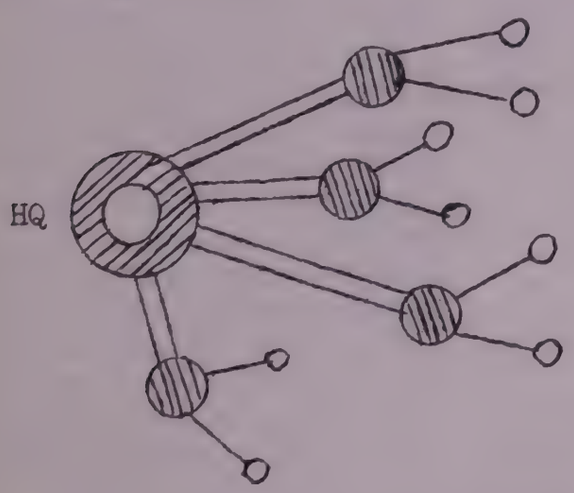
3. There are approximately 2200 customers of steel. They vary in terms of the priority accorded to them (e.g. Defence, government departments, small scale industries, etc), the kinds and quantity of steel they buy, the point of accepting material (stockyard delivery, direct despatch, etc) or their credit ratings.

DDP appears to be the only workable philosophy for speeding up the logistics of steel distribution. As it happens a major study is currently underway to apply DDP here. It could serve as a prototype for other core sectors, such as coal or petroleum.

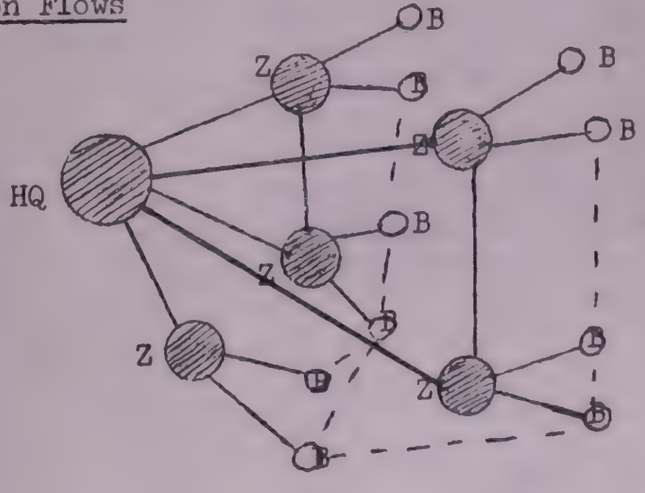
Then there are the service industries—banks, insurance companies, airlines, state transport corporations, etc.

Finally there are the state government

Information Flows



A. Under Centralised Information Processing



B. Under DDP. Note the lateral links between zonal and branches

agencies like electricity boards, treasuries, public works departments etc. Each one of them have a network character in their information flows and require decentralised data analysis for field decision-making.

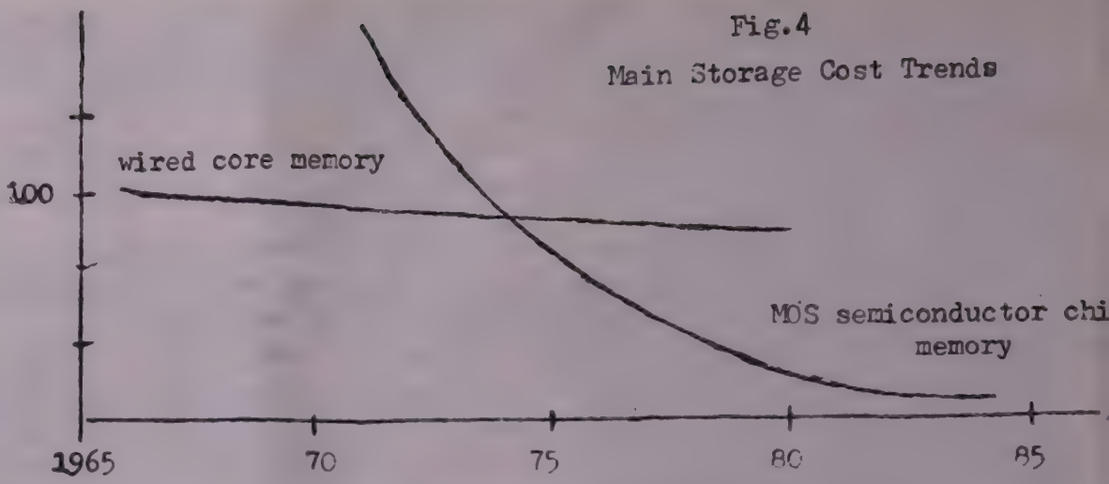
There are some indications already that the philosophy behind DDP is seeping into policy making bodies which determine the direction which 'informatics' take in India. For instance, the Electronics Commission has adopted the strategy of building a network of nodal minicomputers in each central ministry to provide d-p services to them. The licensing for manufacture and import of minicomputer systems is decidedly more liberal than before. Considering our comfortable foreign exchange position, it is appropriate to import mini-computer systems costing Rs 5-10 lakhs each to catalyse such industries as steel with fixed investments of over Rs 2000 crores!

use of DDP

We recommend that DDP should be adopted in the sectors which have been identified above, since this is the only approach which meets the technological and the social constraints—including the morale of field officers—of organisations in such a large country as ours. Adopting DDP will also enable us to make a quantum jump in technology usage: We will be avoiding altogether the "tele-processing" phase (wherein large numbers of terminals are linked to large powerful central computers) which the west went through in the period 1965-76. A "tele processing strategy" would on the other hand demand that hundreds of crores of rupees be immediately diverted to upgrade certain existing telecommunications

Fig.4

Main Storage Cost Trends



circuits to levels needed only by computers rather than people!

With a view to expediting the adoption of DDP for efficient management of large organisations, we have the following policy recommendations:

Rapidly build up the necessary knowhow in DDP: Two parallel steps are required. On the one hand loosening of controls on the import of minicomputer systems (including peripherals) suitable for DDP. On the other hand expertise should be developed by giving research and consulting groups contracts to develop designs for DDP systems for every large public sector organisation.

Manufacturers' agents and representatives should be permitted also, for example, to import 'model' systems of each make to be operated as service bureaus where their comparative working can be evaluated.

Discourage the setting up of conventional EDP equipment: Applicants for licenses to import or sell conventional computers (of the EC-1030 to IBM 370/155 type) should be required to explain why the work cannot be done better and cheaper by minis in a DDP configuration, or by the existing Regional Computer Centres.

Make available the hardware necessary for DDP through local manufacture and import. Given the comfortable foreign exchange position ($4000 million at last count) there is no point beating the dead horse of indigenous manufacture of CPUs. Indian firms should be encouraged first to build much needed and profitable terminal equipment—teletypewriters and visual display units—which can plug into any computer system.

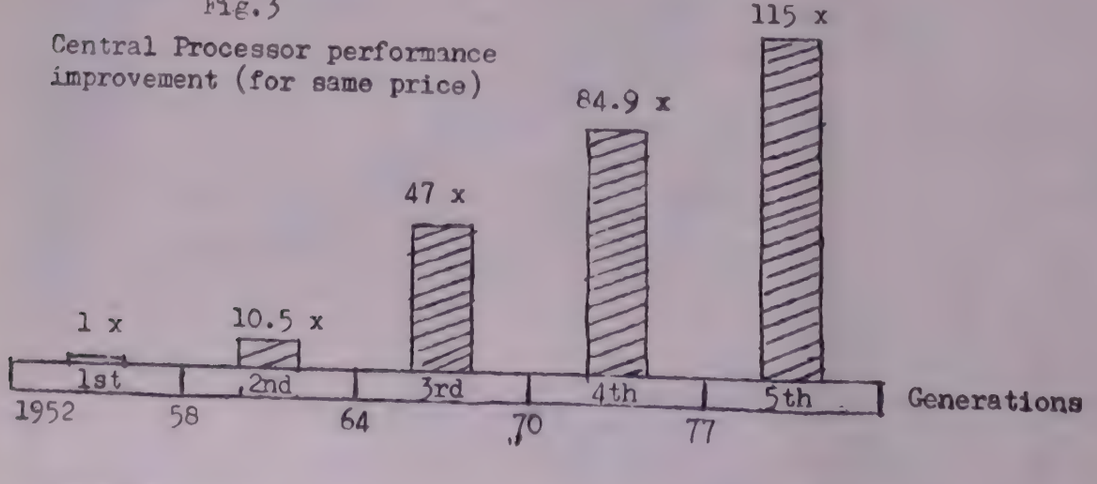
Public sector firms—ECIL and BEL—should formulate their R & D, colloboration and manufacturing strategy so as to meet first, and adequately, the pending needs of the police, the army, navy and the air force.

The commercial and civilian government market should remain open to competition between private manufacturers, OEMS and systems houses based upon imported components and equipment. Free and open competition is expected to result in a sifting process which would leave five to seven hardware suppliers in the field. These would provide an adequate spectrum of gear from plain terminals, microcomputer and "typewriters with a memory", through minicomputers, 'floppy' discs, cassette and cartridge memories, magnetic tapes, printers, etc—all the building blocks needed for DDP.

While "free" licensing of this equipment may sound irresponsible at first glance, we would point out that even 25-30 systems at Rs 10 lakhs each would total only two to three crores of rupees which is, incidentally, the sum spent on *each* one of the regional computers imported by the Electronics Commission.

Fig.3

Central Processor performance improvement (for same price)



Bonus : a challenge for the Janata government

V. D. Pendse

According to the author, since the evolution of a comprehensive national wage policy may take time, until then the "gap" between the prevailing wage and a living wage will remain uncovered. The payment of minimum bonus will have to continue till wages are rationalised and deficiencies in wages removed. The government, however, should define now the bonus concept in very clear terms and announce its intention to do away with a minimum bonus as soon as wages are rationalised.

LABOUR UNIONS are insisting on payment of a minimum bonus of 8.33 per cent. The Janata government has expressed its intention to resolve the bonus issue once and for all. It has further indicated that decision on bonus will be taken before mid-August. Both labour and employers are anxious to know how Janata would do it. All along bonus has been a major industrial relations problem, and has so far eluded a satisfactory solution. The resolution of the bonus question will require clear understanding of the issues involved and will call for certain hard decisions on the part of labour, employers and government.

Bonus is uniquely an Indian problem. It has no parallel in other countries. The word 'bonus' signifies bountiful or *ex-gratia* payment. It originated this way. Few would have ever imagined that bonus payment, in course of time, would develop into an irritant and major industrial relations headache.

regarded a right

During the world wars, textile mills agreed to the labour demand of payment of bonus in view of large profits they earned. Once bonus was paid year after year and for several years especially during the second world war, the labour regarded it as their right, and bonus came to represent the labour's share of industry's excess profit. The determination of 'excess profit' and the quantum of labour's share of it remained a bone of contention all the time, and thus bonus acquired a status of major and recurring industrial relations issue.

Further on, bonus came to be viewed as a kind of deferred wage. This viewpoint confused the issue totally. It led to the concept of payment of minimum bonus even if the business organisation did not earn enough profit or actually made a loss. It also encouraged the employees in public sector undertakings and in organisations such as the LIC, nationalised banks, etc, to demand bonus. The provision of payment of bonus on the basis of a factory unit complicated the issue further, because determination of available surplus on the basis of a factory unit inevitably involved arbitrary calculations in a multiplant and diversified business.

mix-up with wage

Much of the confusion about payment of bonus has arisen due to its mix-up with wage. Bonus, especially minimum bonus, is being prescribed to help fill the gap between prevailing wage and living wage. Few would deny that the prevailing wage is by and large below the living wage. But to employ bonus as a device to fill this gap is something like giving a wrong prescription for a known ill. If the prevailing wage is not enough for living, obviously the wage rates need examination and upward revision. It is just not right to distort the concept of bonus for this purpose.

The Bonus Commission as well as the Bonus Act (1965) envisaged payment of bonus not as deferred wage but as employees' share of profit earned by business. The mechanism of payment of minimum/maximum bonus was proposed solely with the intention of avoiding extreme situations like nil bonus payment in one year and a very large bonus payment in another year. Somehow minimum bonus is now being sought for and justified on the ground of poor prevailing wages.

The government has plans of evolving a comprehensive national wage policy. The new wage policy should aim at closing the gap between prevailing wage and living wage. Once the wage deficiencies are removed through appropriate wage policy, one need not expect bonus to supplement wage. The government's immediate action on the evaluation of a national wage policy is essential for early resolution of the bonus issue once and for all.

share in prosperity

Stripped of the extraneous concept of deferred wage, bonus will appropriately be what it signifies. It will be what it should really be: labour's share in the prosperity of business. There will then be no minimum bonus. The payment of bonus will be necessary whenever a business earns large profits. Such a concept of bonus will be simple and practical.

Once it is accepted that bonus is nothing but labour's share in the prosperity of business, the resolution of the bonus issue will not be all that difficult. The determination of labour's share in the business prosperity will of course pose a problem, but it should not be unmanageable. Perhaps a linkage of bonus with equity devidend will provide a simple and acceptable solution to the problem. After all, the prosperity of a business is reflected in its large profits, which, barring a portion retained in the business, are distributed to the equity shareholders in the form of large dividends. If the employees are to have their share in the prosperity of business, it follows that payment of bonus to

Correction

In 'Moving Finger' which appeared on page 259 of *Eastern Economist* of August 5, in the 5th line of the last paragraph it should read Dr Chenna Reddy instead of Mr Gopala Reddy. The error is regretted.—Ed.

employees can be appropriately linked with the distribution of profits (dividend) to equity shareholders. It should not at all be difficult to establish a mutually acceptable formula for sharing the prosperity (large profits) of business between capital and labour.

The adoption of the proposal, namely (a) discard the deferred wage concept of bonus, and (b) link payment of bonus with equity dividend, will obviously require mutual understanding and hard decisions on the part of employees, employers and government. It is essential that the government proceeds promptly to evolve and implement a fair national wage policy. The employees in turn will have to agree to let go their demand of minimum bonus, and the employers on their part will be expected to accept the principle of linking bonus with equity dividend. Gains of this proposal are however, important. They are:

Wages will be rationalised and will be, in the least, enough for living.

Demand for payment of minimum bonus will not arise.

Simple and practical formula can be established for determination of quantum of bonus ensuring that capital as well as labour share the prosperity of business.

Bonus will be paid on a company basis and not arbitrarily on the basis of a factory unit.

Controversies regarding payment of bonus by public sector undertakings, and other institutions will be avoided.

There will not be much scope for industrial disputes and litigation on bonus issue at least.

Wanted : a realistic approach to the tea situation

B. C. Biyani

The author stresses that along with protecting the interests of the domestic consumers of tea care should be exercised to see that the export trade is not affected. He says that the industry is as much concerned about the domestic consumer as the government as it has vested interest in ensuring adequate supplies to the domestic market which constitutes its major outlet.

THE LEADING article "Tea time" in *Eastern Economist* of July 29 is quite topical since tea is now very much in the news. It is also useful since it makes some important points which are often lost sight of.

As was pointed out in that article, India is the largest producer of tea in the world and is in a position to take care of the large and growing home demand even while maintaining a high level of exports so that its share of the world market could be steadily improved.

Right now, however, the public and the government are naturally upset by the sudden large increase since March 1977 in the price of tea, which is a comman man's beverage. Their concern is shared by the tea industry and the tea trade if only because the domestic market constitutes the major outlet for the tea grown in this country. The tea producers and traders therefore have a vested interest in co-operating with the public and the government in all the measures that may be necessary for ensuring adequate supplies to domestic consumers at reasonable prices.

At the same time it is proper to point out that the abrupt jump in tea prices noticed in the first quarter of this year is essentianlly a passing phenomenon. As has been brought out clearly in *Eastern Economist*, there has been no shortage of tea for domestic consumption, although prices have risen due to a boom in world coffee prices and, with another bumper crop exceeding that of 1976 in sight, supplies available for domestic consumer in the current year are likely to be in excess of requirements or demand. As a measure of abundant caution the government has decided to limit exports this year to 225 million kgs and while the industry would not normally be in favour of any artificial limitations being imposed on imports and exports, it has accepted the proposition that the fixation of a ceiling on exports may be useful as a temporary measure for keeping speculative activity in the domestic market in check.

At the same time this should not make us lose sight of the fact that the laws of supply and demand have already begun to operate in favour of the domestic consumer. Whereas tea prices shot up earlier this year after a long period of stagnation stretching over 20 years, the tea market has now taken a steep down-turn following indications that the country is heading for another record crop. Tea prices have come down considerably, touching Rs 14 per kg, at the Calcutta/Gauhati auctions and even Rs 10 per kg, at the Cochin auctions. As a matter of fact, several instances of sales having taken place at single digit prices have been reported. If this trend continues, it may not be long before tea growers may have to represent to the government that steps should be taken to stabilize the domestic price of tea at levels reasonably remunerative to the industry.

the time lag

It is true that we are now witnessing a time lag between the decline in auction prices and the consequent reduction that there must be in retail prices. The government and the industry should certainly cooperate with each other in correcting this situation. This however cannot be done merely by compelling tea packers to market their brands at a loss. Action on these lines would be counter-productive since it is unrealistic to expect packers to maintain supplies in the domestic market when every kg of tea they sell results in a loss of a couple of rupees or more. The crux of the problem is the lack of effective competition to the trade in loose tea the retail prices of which consequently are not responding to the downward movement

in auction prices. Perhaps the most direct means of providing early relief to the consumer in this respect is to encourage major tea companies to open retail shops which may function as trend-centres for consumer prices. I may mention that Jayshree Tea and Industries Ltd. have just set up a retail shop in the capital and the consumer response has been most gratifying.

The aim should be to stabilize domestic retail prices for the common varieties around Rs 16 per kg plus sales tax. The attainment of this objective will be facilitated if the excise duty on packet tea is abolished temporarily until the tea packers have cleared their inventories accumulated at higher auction prices.

long-term interest

I agree with the view expressed by *Eastern Economist* that, while relief should be given to the domestic consumers, this should not be done at the expense of exports or export earnings since this would harm the long-term interest of the national economy. Apart from the fact that the Indian tea industry has a legitimate right to profit from the higher prices which consumers in the importing countries are obviously prepared to pay at the present time, it is under the constant necessity of maintaining and attempting to improve its share of sales in a highly competitive world trade. *Eastern Economist* has suggested that a floor price should be fixed for exports so that the country's foreign exchange earnings may be maximised. In my view this is not necessary. Only the superior varieties of tea are being exported and the tea trade has as keen an interest as anybody else in ensuring that the highest unit value is obtained for exports. Moreover a floor price in one tea producing country acting alone may only result in its competitors in world markets getting all the custom up to that price. Neither the Indian tea industry nor the government of India can afford to take this risk.

As for the other suggestion that steps should be taken to ensure that hundred per cent of the tea produced in this country is sold at auctions, I would point out that this may be adverse to the interest of the Indian consumer as the transport and warehousing costs, and auction charges would lead to increases in costs, while the delay in the marketing of tea might lead to a deterioration in quality. Direct despatch and sales to the Indian market have this advantage that the tea reaches the consumer faster, fresher and cheaper.

I would however agree with *Eastern Economist* that, in taking steps to protect the interests of the domestic consumer, care must be exercised to see that the export trade is not affected. A proper approach would be to segregate the supplies available for exports from those meant for domestic consumption and here it is desirable to reserve for internal consumption a quantity slightly in excess of that strictly needed to meet requirements so that the extra supply may have a restraining effect on the internal price level. In the case of the quantities so reserved for the domestic market there should be no common bidding to exporters and the balance of the quantity, which is available for export, should be sold in seperate auctions along with export quotas to be allotted to producers every two months. The quantity sold to the export markets should be linked with export quotas either in the auctions or for private CIF sales or consignment.

Once a proper scheme is worked out for securing the interest of the domestic consumer with regard to both supplies and prices, it would be advisable for the government to withdraw the export duty of Rs 5 per kg. In fact if this export duty is kept on for any length of time, in the context of the current recovery in world tea production, the only beneficiary would be the other tea-exporting countries, notably Sri Lanka which had harvested a larger crop of over 72 million kgs, by April this year as against only about 60 million kgs last year.

Finally I would like to stress the fact that the major features of this country's policies with regard to tea had taken shape over a period of years and that they should not be lightly tampered with. The declared policy of the government of India so far has rightly been to boost tea production so that it is sufficient to meet the needs of increased exports as well as growing domestic demand and to strive continuously to increase export of tea so that more and more foreign exchange may be earned for the national economy. This policy has also laid stress on the export trade securing all possible increases in the unit value of tea exported so that this agro-based industry, employing millions of workers, may in turn be in a position to pay them properly and improve their working and living conditions. It is also implicit in this policy that, while domestic consumption should be fully provided for, it should not be artificially stimulated to an extent where it interferes with the availability of tea for exports. The Indian tea industry has fully cooperated with these policies and is naturally able and willing to cooperate also with any measures that the government may now consider necessary for the more effective realization of national objectives.

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Manager

Western Europe's midsummer mood

E. B. Brook

Dollar, the lynch-pin of international currencies, is sinking slowly in value. This is being regarded with excessive concern by western Europe. The reason for the decline in the value is attributed by the author to a trade deficit of around $ 25,000 million this year and there is no sign of improvement in the US balance of trade next year.

WESTERN EUROPE, beginning its annual midsummer holidays, is in a mood of cynical wariness rather than of depression. No one begins holidays laden with depression, anyhow; the weather is not bad, holidays in Spain are likely to be cheaper and it will be time to start worrying again in September when the politicians re-emerge for wrangling annual party conferences and the banks will probably once again increase their charges. Meanwhile, let no one make August miserable.

The British, at least, have had something of a shot in the arm by ceasing to sell pounds to keep their dollar-exchange rate at a very conservative $ 1.72 to the £ and, in an almost holiday mood, freed the £ from supporting the dollar and enjoyed a rise in the value of their currency against almost all comers. The fact that they can receive a little more of most foreign currencies for their £ has had something of a tonic effect on a people accustomed to one foreign exchange blow after another. Not that they have much cheer; the £, which for long bought more than five German marks still buys less than four, the French will give only 8.3 francs for a £ instead of 8.2 and the Americans only 1.73 dollars instead of the now traditional 1.72—but small blessings are often the sweetest.

The little bonus arrived less because the Bank of England picked up courage than because it felt it was time to counter current US policy of 'benign neglect' of its dollar. The dollar has been sliding slowly since the end of June and two weeks later the US Treasury Secretary, Mr Blumenthal, let it be known that he would let the dollar fall farther before intervening The Germans, until that time, had remarked with satisfaction that the dollar was weakening and their mark strengthening even further but now they begin to take alarm, fearing that the dollar will become so relatively cheap that US exports will sell at too much of a price advantage and begin adversely to affect West German exports, which are, of necessity, the Germans' bedrock of prosperity. The West German Finance minister has chided the dollar for falling too fast and is going to talk seriously to the Americans next month—but the Americans are likely to rely happily on the fact that however much others may sell US dollars now it will not be very long before they are obliged to begin buying them again. The dollar remains the lynch-pin of the international monetary system and any decline in its value is liable to be regarded with excessive concern. But if the dollar decline continues there may well be cause for concern for it is both a practical and symbolic reassurance of international stability.

WINDOW ON THE WORLD

The reason for the dollar's present decline is clear enough, a trade deficit of around $25,000 million this year with the current account deficit reaching $12,000 million. Worse, there is so far no sign of a substantial improvement in the US balance of trade next year, although there may be some improvement in the current account position. Among others who worry about the weakness of the dollar and the imposed strength of the German mark are the Danes and the Swedes whose currencies are linked to the mark in the so-called European currency 'snake'; a devaluation of the Swedish and Danish krone is highly possible, with the Austrian schilling as another possible candidate for a chop. Against the Japanese yen the dollar has lost 13 yen in two months and the Japanese authorities are trying to stabilise the rate. The fall in the dollar's value has, however, enabled both Britain and Italy, which have kept their currencies fixed to the dollar, to stoke up their currency reserves—Italy to some $7,000 million and the British a little more cautiously.

the lynch-pin

While the lynch-pin of international currencies sinks slowly in value it may be useful to look at a few west European states' economies, particularly at West Germany's. The Federal Republic has, by hard work and sheer capability, built up a reputation for sustained prosperity which does not make it Europe's most popular state. Nor will it do to forget that the major western industrialised countries pledged themselves at an OECD ministerial meeting only last month to achieve an average growth rate of five per cent. They now face the problem of how they are going to do it, with currency values once again wobbling. Chancellor Schmidt may regret his optimism at the London economic summit in May when he expressed confidence that his government's 4.55 per cent growth target this year could be

fulfilled. Domestic pressure has built up in Germany to the point where the Bonn government will be forced to start thinking of measures it may announce in the autumn to sustain recovery through 1978. Hesitations about this year's growth performance by West Germany have now hardened into a reluctant acceptance that the two-year-old climb since mid-1975 has once again flattened out. There is increasing conviction in West Germany that present policies will not be enough to keep up the momentum next year. Unemployment, though comfortably below the level in France and Britain, remains obstinately at 4.1 per cent of the work force and, more ominously, there were almost 10,000 more people out of job in West Germany in June than a month before. The average level of unemployment in West Germany this year will be about one million workers, a delicate fact in a country hypersensitive to risk of inflation. But West Germany, compared with most countries in this area, still enjoys the enviable fact that its D-mark has appreciated by some 13.2 per cent against the dollar, and more in the last week, and by 17 per cent against the rest of the world's currencies.

Italy, which has been able to stabilise its lira, has about doubled its reserves to six billion dollars in three months. The balance of payments is improving and, with a still weak exchange rate against most currencies, the country is full of tourists who find Italian prices more than compensate for the low level of the exchange. A year ago the Bank of Italy's reserves were almost nil. The lira had just hobbled through another of its many crises, the foreign exchange market had been closed temporarily to end a speculative run on the currency and the lira was being given emergency support by measures including import deposits and a special foreign currency surcharge. Another loan, on this occasion from the IMF, was negotiated with great difficulty, about enough to cover four days' imports. Since then the tide has turned. The very lively Communist party did not quite manage to oust the Christian Democrats as the largest party in parliament in the autumn elections and, after several years of frequent turbulence, political stability has returned—at least for a time. A year ago it was doubtful if Italy could satisfactorily pull itself together; today some regard Italy as the most stable country in all Europe—though others may find this a trifle surprising. All parties are trying to work together to keep the country working satisfactorily, though every political party is stressing how much its rivals have given up to agree with them. The premier, Signor Andreotti, can claim with some truth, that by working with the Communist party in parliament he has to a large extent defused its threat to the country's stability. At present, the great Italian ability to compromise has taken the country out of the trough; it remains to be seen if it can keep Italy out of the depths. One of the most favourable signs is that the private sector has taken the lead over public companies both in employment and in bank-supported prosperity. Above all, the toughness of the traditional social structures in Italy—the village, the family, the Church—provide it with a backbone more robust than many in less troubled countries.

Finally, the British—sharply divided between middle class and workers as they are—have much more unity than is apparent, a tough strength in the provinces and countryside that is not apparent in London and, above all, they have their oil which seems to grow and grow all around them. They would do better to be less coy about their many assets and less inclined to the doubtful virtue of self-denigration. Their toughness in relations with the Common Market and, like the French, in going alone despite the Market, may be one of the happier signs of the times.

Bonn in the north-south dialogue

Egon Bahr

Mr Bahr, former minister of Economic Cooperation and presently Secretary General of the ruling Social Democratic Party (SPD), was one of the architects of the new "Ostpolitik" of detente of the Brandt-Scheel government. These are extracts from a speech he delivered at the Soviet Academy of Sciences on May 11, 1977. Mr Bahr agrees with the demand of the developing countries asking for 0.7 per cent of their respective GNPs as development aid from the developed countries and that West Germany's contribution is less than it can afford.

THE PROBLEM between north and south can also be defined as follows: The majority of poor people puts fourth demands on the minority of rich people. This is a situation which is well known to us. At the end of the last century, i.e, at the end of the first industrial revolution, the German Reich had to decide how it had to deal with the demands of the majority of the under-privileged persons, i.e, the workers. The attitude of the privileged persons was very clear in this respect. They said that if they yielded to these demands, our economy would collapse.

This reminds me of the attitude of most of the states—and I would not make an exception of my own country as well—*vis-a-vis* the demands of the developing countries. The others said: is it our business if problems have arisen which had not been created by us? And this reminds one of the present attitude of the Soviet Union *vis-a-vis* the developing countries. Both these views, which were typical for empires wanting to protect their possessions, could not be sustained in those days. Even today, things would not be otherwise.

As has always been the case: the poor people put forth demands on the rich people and to a large extent, they would not be making any differentiation in their demands if these rich people live in the Federal Republic of Germany or in the German Democratic Republic, in the USA or in the Soviet Union. Someone sitting in central Africa cannot perceive any substantial difference from his viewpoint between the standards of living of Frankfurt-on-Main or Frankfurt-on-Oder, or between Hamburg and Leningrad. For people who have to manage with an in-

come of DM 300--400 per annum, the standard of living of the industrialised world in the east as well as in the west is almost indistinguishably high, distant and worth striving for.

The contribution of the Federal Republic of Gemany to the development of the developing countries is less than it could afford. When expressed in percentage the comparative figure is less than that of smaller states such as the Netherlands, Sweden or Norway but above that of the United States. In spite of all this however, the Federal Republic has in 1975, contributed two and a half times as much as all the Warsaw Pact countries taken together, namely, 4.5 billion DM as against 1.8 billion DM.

Comparing the figures for 1974 and 1975, it has been found that the contribution of the western industrialised countries has increased from $ 11.3 to $ 13.6 billion; on the other hand the contribution of the Warsaw Pact countries has gone down from $ 1 billion to $ 0.8 billion. It is interesting to note that the contribution of the OPEC countries has increased from $ 2.5 to $ 2.6 billion.

decreasing contribution

The contributions of the countries having planned economies taken as a whole have gone down between the years 1970 to 1974 and have amounted instead of 2.6 to a mere 2.3 per cent of the entire contributions received by the developing countries (DAC 1976). In this context it might be noted that the development aid contribution of the Soviet Union has become smaller, while that of the Peoples Republic of China has increased.

According to a chart prepared by the OECD, (Organisation for Economic Cooperation and Development) the net payments made by the Soviet Union in 1972 amounted to $ 650 million. In 1975 this figure was $ 350 million. Corresponding figures for the Peoples Republic of China are $ 250 million (1972) and $ 375 million (1975).

The decline in the volume of development aid from 0.36 per cent of the Federal Republic's GNP in 1975 to 0.3 per cent in 1976 is due to the fact that although we have repeated the record expenditure made in 1975 in absolute figures in the following year, this figure had however not been exceeded on account of a meagre rise in the GNP. The Federal Republic of Germany has been criticised on this score in international circles and I understand this point of view. Moreover the Soviet Union is also being increasingly criticised which is also understandable.

I find justified the demand of the developing countries to ask the industrialised countries—even those having planned economies – for 0.7 per cent of their respective GNP's as development aid assistance. In the last few years, I have carefully noted the fact that the Soviet Union's acceptance of the political demands of the developing countries has not spared it in the first instance from a guarded criticism by the developing countries—a criticism which today cannot be ignored.

Soviets' marginal role

Even during the seventh special session of the United Nations General Assembly (Autumn 1975) this had become evident. I myself had experienced at the 4th UNCTAD conference in May 1976 at Nairobi that important negotiations were conducted between the western industrialsed countries and the developing countries totally by-passing the countries having planned economies. The Soviet Union played a marginal role which did not at all correspond to its actual importance and its worldwide responsibility. I had jokingly remarked to the representatives of the industrialised and developing countries gathered at Nairobi for hectic day and night negotiations that next time I would prefer to participate in the World Trade Conference on behalf of the group of countries having planned economies, for in that case I could take it easy. Hearing this remark, a spokesman of the Third World had replied that things would change.

Moveover the developing countries have also realised that the assistance given by the western industrialised countries and the Peoples Republic of China is on more favourable terms than the assistance given by the Soviet Union and other countries having planned economies. A majority of the developing countries had become impatient and critical at the 16th UNCTAD Council meeting in October 1976 and expressed concern at the unsatisfactory trade and development aid policies of the countries having planned economies. A spokesman of the "Group of 77" at the 8th special session of the UNCTAD-Council on April said that this year that the "Socialist countries" should realise that the world is moving towards a new era in which all the countries had to make their contribution for solving the economic problem of the Third World.

verbal support

The verbal support given by the Soviet Union and other countries to the developing countries has certainly been supplemented in one direction, in which the Soviet Union faces no competition—in the supply of arms. If it is correct that economic factors influence the conscience of mankind more than other factors, Marxists should not be surprised if the poor have-nots look more and more towards the rich people and distinguish less and less between east and west. Everyone is rich in the north.

In this context the question of participation of the Soviet Union will naturally crop up. On this subject of course different views exist. For some it is not unwelcome that the Soviet Union keeps aloof of a development which is coming more and more into the limelight for a greater portion of the world and which, according to its nature, would intensify economic cooperation between the Third World and the industrialised countries of the west. It is just those people who feel nostalgic about the cold war, who find it not at all bad that the Soviet Union isolates its economy from the impulses which through increased credits produce economic ties with the developing countries. There are also some worries, that the Soviet Union could increase the existing difficulties, for instance, if she participated in the Paris dialogue adding to the number of countries having planned economies like most countries of the Third World.

The contribution of the east as well as those of the west will be indispensable while finding a solution for the inequalities existing between the north and the south.

MOVING FINGER

The White Paper on the "Misuse of Mass Media During the Internal Emergency" is an unemotional and matter-of-fact rendering of a broad account of the excesses committed against the various media of mass communication, particularly the press. It does not tell the whole story, but it tells enough of it to inform India and the rest of the world of the enormity of the assault mounted on the freedom of the press, the independence of journalists and the right of the people to information. While it is a depressing story of man's injustice to man, it is also a reassuring record of the spirit of resistance shown by several newspapers and periodicals and by a number of individual journalists. They were no doubt in a minority, but this only makes the quality of their dissent and protest all the more remarkable.

In the recent months the press as an institution and journalists as a body of professionals have been demoralised to some extent by easy generalizations by those who ought to know better about "the press that failed". Against the background of the picture of suppression and repression painted on the pages of the White Paper, what must surprise us is not the extent of the compliance with or subservience to the emergency regime but the fact that there was also a display of willingness and ability to stand up and be counted. Next to the active political opponents of the regime, it was the press which was chosen as the target for the slings and arrows of the executioners of the emergency.

The documented account of the excesses against the mass media has been prepared on the basis of the Dass report as well as other material available to the government. The report itself was based predominantly on government records although the committee had invited and received a number of complaints regarding instances of misuse of mass media and other related matters. Those who sent their complaints to the committee included a number of journalists, some of whom also met the committee personally. It may perhaps be explained here that neither was any complaint submitted on behalf of this journal nor did its editor bring to the notice of the committee the harassment to which he and his journal were subjected. This was because any written complaint would have involved references to private conversations or oral communications by the then minister for Information and Broadcasting to persons connected with the management of this journal. Mr V.C. Shukla's aim all along was to force the editor out of his job. I must rest content with pointing out that he did not succeed to the extent that he thought that he would.

The following reference to this journal is to be found in the White Paper :

"....the obligation to submit matter for precensorship had been by and large removed by a decision taken on September 19, 1975 but even after this at least 60 newspapers and magazines in different parts of the country were brought under precensorship from time to time. They include certain well-known papers and journals such as *Statesman*, *Eastern Economist*, *Vir Arjun*, *Pratap*, *Sarita*, *Mukta*, *Sandesh*, *Janmabhumi*, *Bhumiputra*, *Sadhana*, *Deshabhimani*, *Opinion*, *Blitz*, *Himmat*, *Mother India*, *Tarun Bharat*, *Murasoli*, *Tughlak*."

It may be added that, apart from these periodical precensorship orders, *Eastern Economist* was also served with orders forfeiting the issues of February 6 and February 13, 1976. The editor, again, enjoyed the distinction of being pursued by Mr V.C. Shukla even for weeks after it was officially announced that censorship was being held in obeyance, with the then prime minister's announcement in January of a general election in the following March. Mr Shukla called off the hunt only when he had to go to Raipur to file his nomination papers.

Mrs Gandhi's come-back campaign seems to be having an unsettling effect on the best minds. Describing this campaign as being "still in a low key", S.M. in the *Indian Express* of August 2, writes, that "she will not make the mistake of overreaching herself until she has thoroughly tested her support". In other words, Mrs Gandhi, according to S.M., may be trusted to make the mistake of overreaching herself once she has ascertained what or how much support she can count on for a bid to recapture the leadership of the party. After this, S.M.'s almost reverential reference to Mrs Gandhi's political skills are somewhat difficult to understand. If one were to overreach oneself anyhow, why should one waste time or energy exploring the terrain in advance ?

For innocent fun, how-ever, newspaper writers need not depend entirely on highly paid editors, writing special columns over their initials. Anonymous leader-writers could also provide amusement. The editorial in *The Times of India* of August 1 complains that "unfortunately the tea board has proved to be a toothless watchdog of the industry's long-term interests and needs to be thoroughly revamped". How exactly do you revamp a toothless watchdog? Do you take it to a dentist to be fitted with dentures after you had taken it, earlier in the day, to a beautician for a face-lift? In any case, if there is to be any revamping of toothless watchdogs, the operation had better start at the editorial offices of *The Times of India*. This exercise is overdue seeing that the emergency had been ended months ago.

Finally, Mr Kuldip Nayar in the *Indian Express* of August 4: "To pick up a few sentences out of context to criticise a book is very easy; book reviewers often do it to ventilate their own frustration". A cry from the heart—or, as S.M. would say, a *cri de coeur* from the author of "The Judgement" ?

VB

TRADE WINDS

Trade Development Authority

DURING THE seven years of its operation the Trade Development Authority has made a distinct contribution to the field of export development. In this endeavour all its divisions, namely, research and analysis, information, merchandising and administration, provided the required inputs in an integrated manner. TDA's approach, which is specific to the market, product and unit in all its activities, has paid rich dividend by making the items of its associates acceptable in the developed markets. The government has recognised services rendered by TDA for furtherance of export promotion and has selected it as one of the recipients of "the national award of trophy for outstanding export performance during 1975-76."

Package Plan

The export development activity of TDA encompasses the whole process, right from the initiation of the idea of exporting to the execution of export orders. During the year, TDA made contribution through its package service plan, various bilateral and multilateral product adaptation programmes and its integrated marketing activities relating to the mounting of buyer-seller meets exhibiting exclusively Indian products, participation in product specific fairs and organising study tours. A special mention must be made of the remarkable success of TDA in organising buyer-seller meets at New York and Los Angeles. Besides the interest expressed by the visitors, orders worth Rs 28 crores were booked at both the meets.

Talking about the nature of the task ahead. Mr P.C. Alexander, chairman, Trade Development Authority pointed out that the world economic outlook had b.en undergoing significant changes in the recent past. While the oil producing developing countries have been able to alter the inequality in the trade exchange with the developed world, the developing world, as a whole, has been worse off as a result of the collapse of the international monetary system, the inflationary situation in the developed countries and the tendency on the part of some of these countries to adopt restrictive trade policies. The ethos of international economic cooperation cannot be sustained indefinitely if the developed countries fail to come forward with positive and adequate responses in the specific areas of negotiations, Mr Alexander added.

Joint Appraisal by Financial Institutions

Arrangements for joint appraisal by financial institutions have been recommended by the working group set up by the Industrial Development Bank of India under the chairmanship of Mr V.M. Bhide, chairman, Bank of Maharashtra. The working group was set up to report on the question of coordination between state financial corporations and banks. The group has suggested that until joint appraisals are not found feasible arrangements should be made for simultaneous appraisals by both institutions (banks and SFCs).

The group has recommended adoption of common application forms by SFCs and banks. (The group has evolved model applications for this purpose.) The IDBI, it has been suggested, should evolve standard documents required by various financial institutions from industrial unit while granting assistance. The group has recommended that the question of grant of bridging loans is to be decided by banks on their own on receipt of sanction advices from the SFCs. When a bank sanctions a bridging loan, the SFC should be advised and disbursement by the SFC would be done only through that bank.

Recommendations

Another principal recommendation is that SFCs should consider favourably specific requests received from banks for second charge on fixed ascertain conditions. The banks also as a reciprocal arrangement. are expected to concede second charge in respect of floating assets, if required by SFC. The group would like a free exchange of information between SFCs and banks right from the appraisal stage to the disbursement and follow-up stages. It has recommended certain reporting forms for sharing such information.

The group wants banks and SFCs to get in touch with each other when they find that all was not well with functioning of an industrial unit. Immediate joint inspection has been recommended in such cases for remedial action. The group has suggested periodic meetings by the representatives of banks and SFCs in each state to review and assess the experience in working the coordination arrangement. Such meetings will be attended also by the representatives of the IDBI and RBI. Among other things, the working group has recommended that institutions should build up the necessary cadre of trained staff having required technical competence as also a proper attitude conducive to cooperative efforts.

State Loans

Twenty state governments have announced their new six per cent 10-year loans for a total notified amount of Rs 257 crores. The issue price will be Rs 99.50 per Rs 100. The subscription lists will open on August 23 and close on August 25 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the state governments reserve their right to retain subscriptions up to 10 per cent in excess of the notified amounts. Interest will be paid half-yearly on February 23 and August 23 each year.

Following are the amounts statewise (in crores of rupees): Andhra Pradesh 20.25; Assam 8; Bihar 14; Gujarat 17.50; Haryana 8.75; Himachal Pradesh 1.50; Jammu and Kashmir 2.25; Kerala 11.75; Karnataka 15.50; Madhya Pradesh 9; Maharashtra 26.50; Orissa 13.75; Punjab 7.25; Rajasthan 20.75; Tamil Nadu 25; Uttar Pradesh 36.50; West Bengal 13.50; Manipur 1.50; Nagaland 2.25 and Tripura 1.50.

Thus all the states except Meghalaya and Sikkim have floated the loans. The loans

ll be redeemable at par on ugust 23, 1987.

Subscriptions will be accepted cash or by cheque. Securities the 5.5 per cent 1977 matur- g loans of 14 states (Andhra adesh, Assam, Bihar, Guja- t, Kerala, Madhya Pradesh, mil Nadu, Maharashtra, ysore, Orissa, Punjab, UP, ajasthan and West Bengal) ll also be accepted at par for nversion into the new loans the respective state govern- ents. These loans are due to ature on August 23. At the ue price of Rs 99.50 the new ans will offer a redemption eld of 6.07 per cent.

ank Credit for griculture

The Reserve Bank has set up expert group (comprising presentatives of central vernment, commercial banks, gricultural Refinance and evelopment Corporation, gricultural Finance Corpora- n and Reserve Bank and perts in certain disciplines in riculture and allied activities) review the agricultural credit nemes of commercial banks. e group will review the ferent types of schemes for- ulated by commercial banks r extending short, medium d long term financial assis- nce to various agricultural d allied activities and, in the ht of its findings and taking o consideration the techno- gical and other changes, ggest the general pattern of w schemes which banks uld frame and implement so to meet the credit require- nts of farmers and agricul- ists.

Dr Gunvant M. Desai of the dian Institute of Manage- nt (Ahmedabad) is the airman of the group. The er members are Mr V.N. hadur (Deputy Secretary, Department of Economic Affairs, Banking Division), Mr R.L. Wadhwa (Deputy General Manager, Union Bank of India), Mr K. Balasubramanian (Officer, Indian Bank). Mr S.P. Nair (Director, Planning and Coordination, Agricultural Finance Corporation), Dr N.D. Rege (Technical Director, ARDC), Mr N.S. Narayanaswami (Joint Director of Agriculture, Tamil Nadu Co-operative Development Bank), Dr S. Bose (formerly Head, Division of Poultry Research, Indian Veterinary Research Institute), and Mr R. Vijayaraghavan (Joint Chief Officer, DBOD, Reserve Bank). Mr A. Seshan (Deputy Director, Economic Department, Reserve Bank) will function as the secretary of the group.

Ban on Remittance by Tea Companies

The Reserve Bank of India has suspended the facility of remittance of profits of sterling tea companies in its bid to hasten the process of Indianisation of their undertakings. The bank has also made it clear to them that profits or losses pertaining to these undertakings will accrue only to the Indian companies, which are to be formed in terms of FERA regulations effective from a date fixed before the end of 1977. These steps have begun to yield the desired results. Sterling companies which have been dragging their feet so far in initiating the "rupeeisation" process have now come in a large number with proposals for Indianisation of their undertakings. Under the Foreign Exchange Regulation Act, the sterling companies are required to complete the whole Indianisation process by the end of this year. Although they were given nearly two years' time to do this, only four tea groups involving some three dozen companies have complied with the law so far.

Now that more companies have submitted proposals, it will be some time before the formalities are completed. The Reserve Bank has, therefore, made it clear that although the scheme of Indianisation will be approved by the middle of next year, the effective date of transfer of assets will be deemed to have taken effect before the effective date, i.e. before the end of 1977. This will mean that the profits and losses of sterling tea companies will now accrue only to the Indian companies that are to be formed. By doing this, the Reserve Bank is ensuring that there is no undue delay on the part of sterling companies to go through with the process of Indianisation. They cannot also transfer the profits earned in the past two or three years.

General Insurance

The General Insurance Corporation of India has reported further growth during 1976, the fourth year of working of the nationalised general insurance industry. Its net premium income increased from Rs 51.4 crores in 1975 to Rs 55.3 crores in 1976 and the gross profit from Rs 17.8 crores to Rs 30.1 crores. The claims experience in all the classes of business has been very satisfactory. Furthermore, the dividend income from the subsidiaries has contributed to the enhancement in profits. The directors have declared a dividend of 25 per cent on equity shares and of seven per cent on preference shares for 1976. In 1976, the corporation redeemed 2,05,307 perference shares of Rs 100 each fully paid-up at par. The corporation did not declare any dividend for 1973, the first year of working. For 1974, the equity dividend was 12 per cent, which was raised to 20 per cent for 1975. The total amount of equity and preference dividend for these two years amounted to Rs 9.18 crores.

Mr G.V. Kapadia, chairman, handed over to the union Finance minister, Mr H.M.

Company Notice

Bharat Commerce and Industries Limited

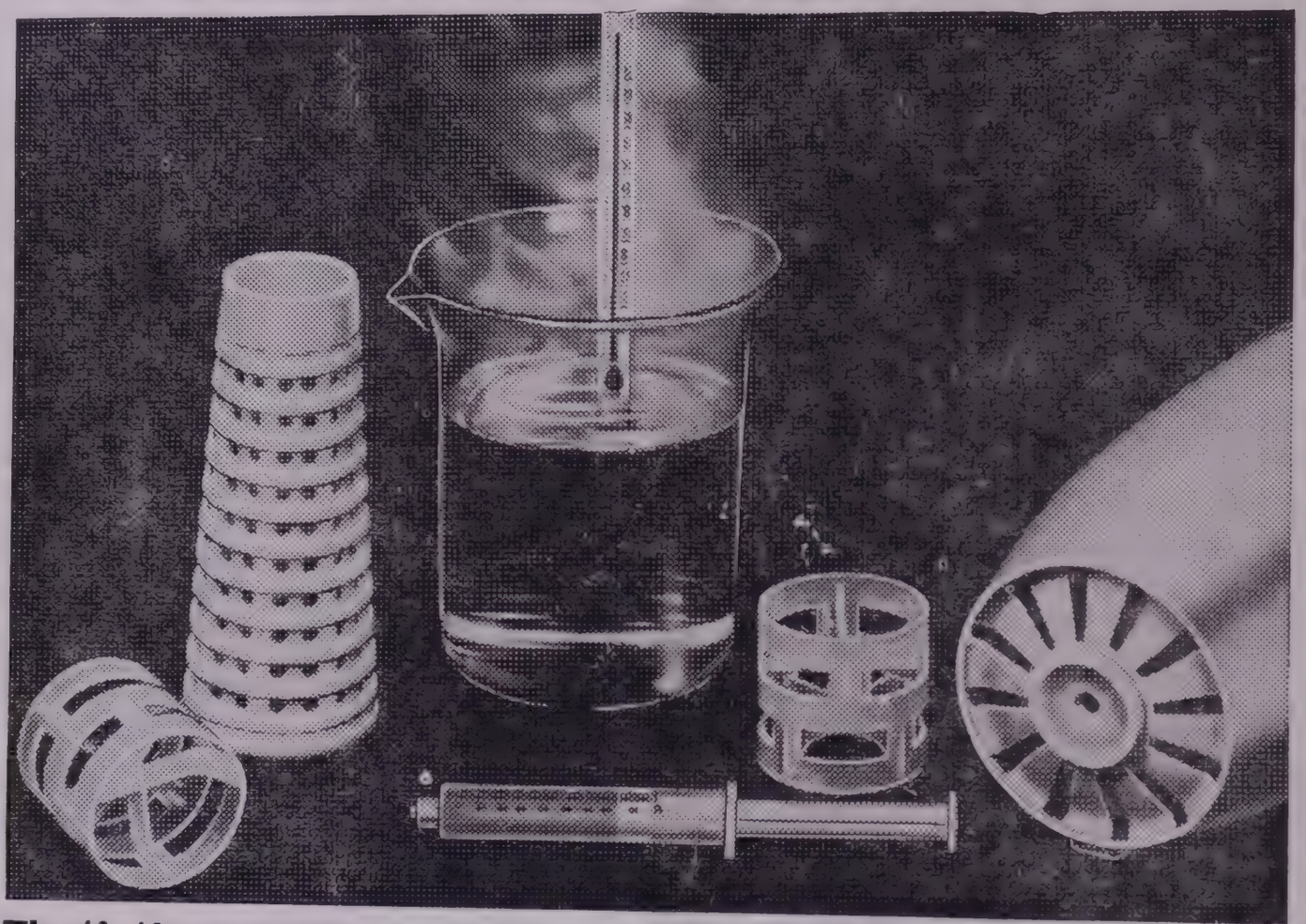
Notice under Section 154 of the Companies Act, 1956

Notice is hereby given pursuant to Section 154 of the Companies Act 1956, that the Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, the 25th August, 1977 to Monday, the 12th September, 1977, both days inclusive. The dividend, if declared at the Annual General Meeting scheduled to be held at Hotel Imperial, Janpath, New Delhi-110001 on Monday the 12th September, 1977 at 11.30 A.M. (Agenda of the said meeting alongwith explanatory statement pursuant to Section 173 of the Companies Act, 1956 is being forwarded to the shareholders) shall be payable to those shareholders or their Mandatees, whose name will appear in the company's Register of Members as on 12th September, 1977.

By Order of the Board
V.N. PODDAR
Secretary

Registered & Head Office:
Surya Kiran, 5th Floor,
19, Kasturba Gandhi Marg,
New Delhi-110001.
Dated 23rd July, 1977

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Patel, recently in New Delhi two cheques totalling Rs 9.17 crores. This amount represents Rs 6.17 crores being dividends for 1976 on equity and preference shares which are entirely held by the central government and Rs 3 crores towards redemption of part of the preference share capital of the corporation. The accounts of the subsidiaries for 1976 have not been finalised so far. On the basis of unaudited figures the gross direct premium of the subsidiaries amounted to Rs 311 crores compared to Rs 277 crores in 1975. The net premium income and profits are also expected to record increases during 1976, according to Mr Kapadia.

Lower Power Rate in Punjab

The Punjab State Electricity Board has issued a notification for reducing the power tariff for tubewells from Rs 19 to Rs 13 per BHP, inclusive of service rental per month. Correspondingly, metered supply rate was also reduced from 19 paise per unit to 12.5 paise per unit. Decision would be effective from July 7, 1977. The announcement for reduction in tariff was made by governer, Mr M.M. Chaudhury in his address to the Vidhan Sabha. Tubewell power consumers have been given the option afresh to accept the flat rate or meter rate. Excess amount already charged from July 7 would be adjusted in next bills.

Foreign Exchange for Students

The Reserve Bank has increased with immediate effect, the maintenance allowance admissible to eligible students proceeding to the USA and Canada from US $3,000 to US $4,000 per annum. For the UK and other countries, the allowance has been enhanced to US $3,000 per annum, as against the existing scale of £ 1,300 for the UK and the US $2,600 for countries other than the UK, the USA and Canada. In addition, exchange for tuition fees is released on the basis of actuals as certified by the foreign institutions.

Australian Dollar Devalued

The Australian dollar was reported to have been devalued on August 4, 1977 by 1.51 per cent. The dollar was devalued in terms of trade-weighted basket of currencies used by Australian authorities to manage the currency. The Reserve Bank in Australia announced the trade-weighted index value of the dollar had been varied from 92.5 to 91.1 in terms of the currency basket compared with 105.3 before last November's major 17.5 per cent devaluation. The currency basket embraces the currencies of Australia's major trading partners in which the United States dollar predominates.

Bharat Petroleum

The name of Bharat Refineries Limited, erstwhile Burmah Shell and now a 100 per cent government undertaking has been changed to Bharat Petroleum Corporation Limited. Soon after the take over of Burmah Shell undertakings in January 1976, the company was renamed Bharat Refineries Limited at an inaugural function in Bombay on February 14, 1976. The name Bharat Refineries Limited was considered somewhat inept in view of the fact that the company's activities were not confined only to refining of petroleum products. Bharat Refineries has considerable stake in the distribution and marketing of products through their vast network of depots and retail outlets.

The change of name to Bharat Petroluem Corporation Limited is expected to reflect the integrated character of the company which not only processes oil but also markets petroleum products. Bharat Petroleum Corporation Limited will continue to use the existing Burmah Shell logo and decor till such time as the symbol and the color scheme representing BPCL are ready.

Railways Improve Performance

Ticketless travel on the Indian Railways has shown a declining trend in April-June 1977 as compared to 1976. During the first three months of the current financial year, 577,753 persons were detected travelling without tickets or with improper tickets as compared to 634,516 persons nabbed in April-June 1976, a drop of 56,763 persons in just three months. This drop becomes more significant when viewed from the fact that the number of special checks conducted to detect ticketless travellers increased to 25,971 in April-June 1977 from 23,545 in April-June 1976.

Performance of the Indian Railways is given below:

	April-June, 1976	April-June, 1977
1. Traffic		
(a) Freight traffic (Revenue earning)	50.85 million tonnes	52.9 million tonnes
(b) Passenger traffic	793 million (appx.)	866 million (appx.)
2. Financial Results		
(a) Gross earnings	Rs 509.96 crores	Rs 541.41 crores
(b) Working expenses	Rs 348.10 crores	Rs 362.18 crores—Rs 14.08 crores less than the budget provision of Rs 376.26 crores for the period.
3. Production Units		
(a) Diesel Locomotive Works	21 locos	32 locos
(b) Chittaranjan Locomotive Works	15 locos	22 locos
(c) Integral Coach Factory	130 coaches and EMUs	134 coaches and EMUs

FCI Goes to Burma

The Fertilizer Corporation of India (FCI) has bagged a $100,000 contract to undertake a study of the fertilizer marketing and distribution for the Socialist Republic of the Union of Burma. The contract, which has been won in the face of stiff international competition, is the first ever such consultancy work to be done for a third country, entrusted by the World Bank to an aid-recipient country.

A team from the marketing division of FCI is leaving for Rangoon on August 14, 1977 to start work on the project. The study will be completed within six months i.e. by January 31, 1978.

This is the second interna-

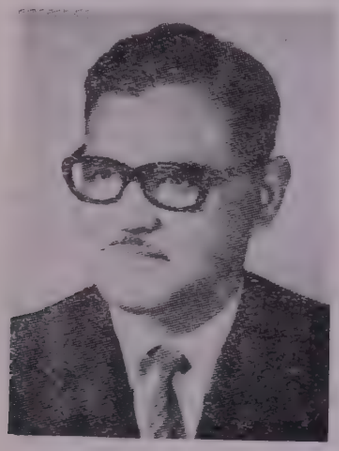
tional assignment to be handled by the marketing division of FCI. Earlier a market feasibility study had been done for the government of Philippines in connection with a proposal for the setting up of a large-scale urea-ammonia complex in that country.

WTO Membership for SITA Travel

A leading travel agency, SITA World Travel, has been admitted to World Tourism Organisation (WTO) as its affiliate member at their recent general assembly held at Tenerife. WTO is constituted by the tourist departments of various governments and enjoys a consultative status with the UN. SITA World Travel are pioneers of tourism to India and were given the first Tourism Award by the union government for securing first place among travel agencies in foreign exchange earnings from tourism in 1975.

Names in the News

Dr Subodh Chandra Bhattacharjee has taken over as chairman of the State Trading Corporation of India Limited. Dr Bhattacharjee comes to STC with 30 year's varied experience in the private sector, including Union Carbide India



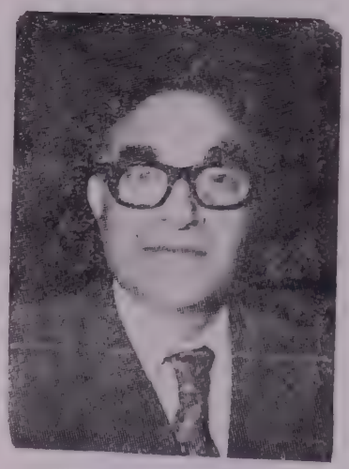
Mr S. C. Bhattacharjee

Limited, where he last held the position of deputy managing director at Calcutta. Dr Bhattacharjee had several years of experience in various responsible capacities with other reputed organisations such as Burn, Braithewaite and Jessops and Hindustan Engineering and Construction Company and Tata Engineering & Locomotive Company, as well as working and technical experience in the USA.

Mr H.V. Mirchandani and **Mr E.R.C. Shekar** have been appointed directors of Kudremukh Iron Ore Company. Mr Mirchandani, general manager (technical administration), has assumed charge as director (technical services). Mr Shekar, earlier general manager (project), has taken over as director (project). Mr Mirchandani and Mr Shekar, have been associated with Kudremukh project since its inception.

Firestone India has announced the appointment of **Mr Ram Nayak**, as sales manager —(trade) based at central office, Bombay effective August 1, 1977. Formerly district manager, Firestone Jaipur, Mr Nayak fills the vacancy caused by the elevation of Mr Gurdip Singh as general sales manager. He brings to his new assignment considerable field experience spread over the states of Maharashtra, Karnataka and Rajasthan.

Mr O.P. Gupta, general manager of Punjab National



Mr O. P. Gupta

Bank has taken over as the chairman of the bank on August 1, 1977 from Mr T.R. Tuli, whose term has expired. Mr Gupta has been appointed as the chairman and managing director of the bank by the government of India for three years. He joined PNB in 1943 where he has worked in various capacities for the last 34 years.

Mr L.M.S. Rajwar, director (bulk carriers and tankers) of the Shipping Corporation of India has been appointed managng director of Irano-Hind Shipping Company, a joint venture between Arya National Shipping Lines of Iran and SCI.

Mr Saran Singh has taken over as secretary, department of Social Welfare in the ministry of Education, Social Welfare and Culture from Mr. S.Y. Ranade. Mr Saran Singh was earlier chief secretary to the Bihar government.

Mr V. D. Chowgule, chairman of the All India Shippers' Council and vice president of the Commission on Sea Transport of the International Chamber of Commerce has been appointed chairman of the International Bureau of Transport Users (IBTU).

Dr. S.P. Vohra, has been appointed managing director of Bakelite Hylam effective from August 15, 1977. He joined the company in December 1975 as general manager of its manufacturing operations at Hyderabad.

Mr P.P. Singla, has taken over as managing director, National Textile Corporation Limited, New Delhi (a government of India undertaking). Mr Singla prior to this appointment was officer on special duty in the department of Textiles, ministry of Commerce. He joined the



Mr P. P. Singla

Indian Administrative Service in the year 1955 and has held various assignments both with the government of India and in the states. He has an experience of nearly five years the management of textile industry in the public sector. He was the chairman-cum-managing director of the National Textile Corporation (Gujarat) Ltd. before he joined the ministry of Commerce as OSD (Textiles)

Mr Susanta Niyogi, has taken over as chairman and managing director of the United Bank of India.

Mr B P. Bhardwaj. has been unanimously elected regional chairman of the eastern region of the Engineering Export Promotion Council.

COMPANY AFFAIRS

Dhrangadhra Chemicals

THE DIRECTORS of Dhrangadhra Chemical Works have decided to pass over the dividend on equity and preference shares for the year ended March 31, 1977. The company had skipped the dividend last year too. The decision was based on the tight ways and means position resulting from inadequate profit.

The working of the company during 1976-77 resulted in a drop in turnover, to Rs 14.66 crores from Rs 15.96 crores in the previous year. The gross profit declined sharply from Rs 263.55 lakhs to Rs 63.05 lakhs.

After providing Rs 76.32 lakhs (Rs 77.79 lakhs) for depreciation, Rs 0.36 lakhs (Rs 0.80 lakhs) for development rebate reserve, Rs 9.61 lakhs (nil) for investment allowance reserve and making other adjustments there is a balance of Rs 8.08 lakhs (Rs 188.21 lakhs). Out of this, Rs 2.59 lakhs (nil) has been appropriated for capital redemption reserve. The balance of Rs 5.49 lakhs (Rs 31.32 lakhs) is carried forward.

The profitability of the company has been affected by a steep fall in prices owing to sluggish demand for the main products, caustic soda and soda ash. The escalation in the cost of raw materials, power and other inputs and keen competition have also led to the fall in profit. The frequent power cuts in Sahupuram unit in Tamil Nadu and the periodical overhauling of turbine and relining of lime kiln at the Dhrangadhra unit in Gujarat affected adversely the production of caustic soda and soda ash.

State Bank of India

The Central Board of Directors of the State Bank of India has announced an interim dividend of Rs 12 per share for the current year ending December 1977. This will be paid to the shareholders registered in the books of the bank as on September 3, 1977.

Fibreglass Pilkington

Fibreglass Pilkington has reported improved results for for the year ended March, 1977. Sales and profits are significantly higher than in the previous year. Equity dividend has been stepped up to 18 per cent from 15 per cent. Aggregate sales have risen by 39 per cent from Rs 6.14 crores in 1975-76 to Rs 8.56 crores in 1976-77. Domestic sales have increased from Rs 5.95 crores to Rs 8.16 crores and exports from Rs 8.47 lakhs to Rs 40.43 lakhs. The gross profit for the year was Rs 2.78 crores as against Rs 1.83 crores a year before. After providing Rs 34.30 lakhs (Rs 36.22 lakhs) for depreciation and technical know-how written off and Rs 133.37 lakhs (Rs 65 lakhs) for taxation, the net profit amounts to Rs 70.33 lakhs (Rs 45.84 lakhs). After adjustment a sum of Rs 38.58 lakhs (Rs 21.84 lakhs) has been transferred to general reserve. Dividends will absorb Rs 28.80 lakhs (Rs 24 lakhs).

Poysha Industrial Co.

Poysha Industrial Co has reported improved working results for the year ended March, 1977. The directors have announced an equity dividend of 10 per cent besides payment of preference dividend for 1975-76 and 1976-77. The company had paid an equity dividend of 10 per cent for 1974-75. Sales have risen from Rs 13.31 crores in 1975-76 to Rs 15.81 crores in 1976-77.

The working has resulted in a gross profit of Rs 55.23 lakhs against the loss of Rs 4.66 lakhs in the previous year. After providing Rs 18.08 lakhs (Rs 17.92 lakhs) for depreciation, and Rs 4.80 lakhs (nil) for taxation, there is a net profit of Rs 32.35 lakhs against the net loss of Rs 22.58 lakhs. Equity and preference dividend will absorb Rs 19.84 lakhs (nil). A sum of Rs 11 lakhs has been transferred to general reserve against the withdrawal of Rs 10.39 lakhs from the general reserve in the previous year for adjusting against the deficit. The working in the current year so far is stated to be better than in the same period of last year.

Kaira Can Co.

Kaira Can Co, a subsidiary of Poysha Industrial Co, has fared better during the year ended March 1977. Its sales have risen from Rs 4.09 crores in 1975-76 to Rs 4.64 crores in 1976-77. The working has resulted in a profit of Rs 5.22 lakhs against the loss of Rs 6.82 lakhs. An equity dividend of 10 per cent has been declared. Besides, preference dividends for 1975-76 and 1976-77 will be paid. Dividends will absorb Rs 2.53 lakhs. A sum of Rs 2 lakhs has been transferred to general reserve.

Nirlon

Nirlon Synthetic Fibres and Chemicals had declared an equity dividend of 18 per cent for the year ended March 1977 on the enlarged capital resulting from the public issue of 7.90 lakh equity shares of Rs 10 each at a premium of Rs 22.50 per share made in May 1976 and the bonus issue in the ratio of five new shares for every four shares held made later. Thus the share capital increased during the year to Rs 697.30 lakhs from Rs 231 lakhs. For 1975-76, the company had paid an equity dividend of 40 per cent on old capital.

According to the preliminary statement, the turnover has marginally risen from Rs 47.43 crores in 1975-76 to Rs 47.69 crores in 1976-77. But the gross profit has shrunk by 28 per cent from Rs 6.79 crores to Rs 4.88 crores, bringing down the ratio of gross profit to turnover from 14.3 per cent to 10.2 per cent. After providing Rs 2.40 crores (Rs 2.28 crores) for depreciation nil (Rs 15.10 lakhs) for development rebate reserve and Rs 48 lakhs (Rs 2.35 crores) for taxation, the net profit is, however, higher at Rs 199.82 lakhs (Rs 181.45 lakhs). Dividends are thus covered by over one and a half times by the year's earnings.

Production increased from 4,510 tonnes to 5,022 tonnes. The output of nylon rose from 2,329 tonnes to 2,533 tonnes and of tyre cord from 1,561 tonnes to 1,880 tonnes, while that of polyester declined mar-

ginally from 620 tonnes to 609 tonnes. The working was adversely affected by the depressed market conditions of synthetic filament yarn industry which led to erosion of margins.

Mafatlal Fine

The Mafatlal Fine Spinning and Manufacturing Co suffered a setback in its working during the year ended March, 1977. The directors state that despite the difficult conditions in the taxtile industry, the turnover in the textile division was higher at Rs 53.01 crores in 1976-77 against Rs 48.72 crores in 1975-76. Exports of textiles were higher at Rs 7.15 crores against Rs 3.20 crores. In the chemicals division, despite the improved fortunes of the aluminium industry, sales of cryolite declined from 5,251 tonnes to 4,453 tonnes and of aluminium fluoride from 2,865 tonnes to 1,872 tonnes, due mainly to the revised import policy under which the aluminium units were able to import these chemicals. But for this factor, the division's turnover would have increased considerably. This setback was partially offset by the increased production and sales of fluorocarbon gases from 1,387 tonnes to 1,722 tonnes and of miscellaneous fluorides from 251 tonnes to 346 tonnes. The total turnover of the chemicals division was lower at Rs 9.18 crores against Rs 9.74 crores.

British Airways

British Airways made a net profit of £35 million in the year 1976-77 compared with a loss of £ 16 million in 1975-76, says the airline's annual report published on July 28. Profits before cost of capital borrowings increased to £108 million from £10 million. It was a record year for passengers and cargo, and turnover exceeded £1,000 million for the first time —up £332 million to £1,248 million. The chairmam, Sir Francis McFadzean said, British Airways paid to the Treasury a dividend of £11 million on public dividend capital.

Reasons for improvement included an 11 per cent rise in traffic, foreign exchange earnings boosted by a further fall in the value of the Pound, and an increase of four per cent in staff productivity. Passengers increased by five per cent to 14.5 million and cargo earnings were also up (by one per cent). Passenger revenue from scheduled services totalled over £898 million, £238 million more than the previous year.

Gujarat Steel Tubes

Gujarat Steel Tubes Limited has recently been awarded International Trade Trophy "PHOENICIA" by the gorvenment of Malta. This is the second international award received by the company in seven months. The trophy was handed over by the president of the Republic of Malta to Mr Apoorva Shantilal Shah, chairman and managing direter of GST recently at a glittering ceremony at Valletta the capital of Malta, an Island Republic in the Mediterranean and a member of the Commonwealth.

GST is the only Indian company selected for the 1977 award among the 23 recipients selected from 16 countries such as the USA, the UK and Belgium.

GST was selected for this trophy because of its contribution to the country's economy by way of its impressive export performance, increased employment and discharge of social responsibilities to the community. The "PHOENICIA" Trophy is instituted to encourage peaceful and constructive international cooperation in the fields of production, the economy and the labour force and to progressive management of industry, particularly in the developing countries.

News and Notes

Trimurti Cans Ltd, promoted by the Maharashtra Small-Scale Industries Development Corporation (MSSIDC) in collaboration with two engineers, to manufacture hot dip tinned mild steel cans required by various milk schemes, has shown good progress in its first year of production. Actual production started in October 1976. Sales in the first six months of the current financial year are over Rs 8.5 lakhs. Orders to the tune of Rs 10 lakhs are under execution. The unit with an equity capital of Rs 1.25 lakhs, situated in one of the industrial estates near Bombay, is producing at present about 1,000 cans per month. It also undertakes the repair work of cans. The turnover of the company is expected to go up from Rs 75,000 in 1976 to Rs 20 lakhs in 1977. It has already undertaken an expansion programme and is planning to diversity into the field of allied dairy equipments.

Bonus Issue

The Polychem Ltd has announced a bonus issue in the ratio of one for every four shares held by capitalising a sum of Rs 40 lakhs from its reserves. The equity dividend of 12 per cent has, however, been maintained for the year ended March 1977. The company has done well in 1976-77 with turnover going up from Rs 15.62 crores to Rs 18.33 crores and gross profit from Rs 90 lakhs to Rs 1.01 crores. While depreciation has absorbed Rs 20.66 lakhs (Rs 24.69 lakhs), the profit after tax is higher at Rs 35.85 lakhs against Rs 24.91 lakhs in the previous year.

A new paper project being set up near Tumsar in Bhandara district of Maharashtra by **Ellora Paper Mills** is reported to have made good progress. The main machine for manufacturing paper has been imported from Sweden and is under erection. Indigenous machinery is being procured. The company hopes to start trial production by January 1978. The main raw materials will be rice and wheat straw. The company has undertaken training of cultivators and villagers with regard to use and storage of rice straw. It is also exploring the possibility of cultivating kenaf which could be a good raw material for pulp and paper. It proposes to enter the capital market shortly to raise a part of the finanee required for the project.

New Appointment

Mr B.R. Patel, former managing director of Air-India has been appointed chairman of the **National Rayon** Corporation by the Company Law Board. It may be recalled that the board had earlier appointed Mr R.K. Talwar, former chairman of the State Bank of India chairman of the company. But Mr Talwar is stated to have declined the offer. The board has also appointed eight government nominees on the company's board under Secton 408 of the Companies Act.

Meanwhile, the company's board is reported to have examined the accounts for 197 at its recent meeting. The auditors are stated to have passed several strictures about irregularities in the accounts

The company's accounts are expected to be released shortly.

New Issues

Ashok Leyland has to bring down its foreign equity holding from the present level of 60 per cent to 51 per cent by the end of 1978. At present out of the issued capital of 18.7 million equity shares of Rs 5 each, the holding company British Leyland International Holdings Ltd, UK, and its nominees hold 11.1 million shares. The Indian financial institutions hold about 27 per cent of the company's while the balance 13 per cent is held by individual shareholders.

The dilution of foreign equity is proposed to be done partly by issue of fresh capital to the financial institutions under the conversion clause of their loans under negotiations, and partly by issue of additional capital to the Indian residents, either by way of rights issue to the existing Indian shareholders or by making a public issue. The additional share capital to be raised will be issued at a premium that will be sanctioned by the Controller of Capital Issues.

Expansion Programme

The implementation of the company's expasion programme is well underway. It hopes to achieve the licensed capacity of 10,000 Comet chassis and 2,000 heavy duty chassis by the end of 1978. It has received a letter of intent for the expansion of the capacity of industrial and marine engines from 720 to 1,500 engines per annum. This is also expected to be completed by the end of 1971. The cost of the expansion programme is estimated at Rs 23 crores, which will be met by term loans of Rs 7.50 crores (including foreign currency loans of Rs 1.99 crores) and internal accruals of Rs 15 crores (including the additional capital that will be raised for dilution of foreign equity including (premium).

Meanwhile, the company has achieved better working during the first half of the current year. It producted 4,400 chassis and 5,500 engines during January-June 1977. This is stated to be about 10 per cent higher than in the same period of 1976.

Ingersoll Rand (India), a wholly-owned subsidiary of the Ingersoll-Rand Co., New Jersey (USA) is to dilute its foreign equity by offering to Indian residents 256,500 equity shares of Rs 10 each at a premium of Rs 22.50 per share. Of this, 56,500 equity shares will be reserved for firm allotment to the company's Indian resident employees, Indian directors and their associates, and the balance 200,000 shares will be offered to the public.

The proceeds of the issue will be utilised for financing a part of the expansion programme estimated to cost Rs 1.80 crores. The company has at present a factory at Baroda (Gujarat) for manufacturing airgas compressors, dry vacuum pumps, down the hole hammer drills, drill masters and drilling rigs. It has received a letter of intent for substantial expansion of air and gas compressors at Baroda and for establishing a new undertaking in Karnataka for the manufacture of drillingrigs. The expansion programme is proposed to be financed by issue of additional capital and internal accruals. After the proposed issue, the foreign equity will come down to 74 per cent.

The company has achieved good performance in the past few years. Its turnover amounted to Rs 7.49 crores in 1976 against Rs 6.18 crores in 1975, yielding a gross profit of Rs 2.17 crores against Rs 2.20 crores and the net profit of Rs 77 lakhs against Rs 67 lakhs. Dividends had absorbed 66.80 lakhs (Rs 30 lakhs).

An export-oriented tufted carpet and carpet yarn project is being set up by **Modi Carpets Ltd.** at Kothwara, a notified backward area near Lucknow, UP, with a licenced capacity of 2.5 million lb. per annum. Promoted by the Modi Spinning and Weaving Mills Co Ltd, in collaboration with HEPATEX AG, Arova Schaffhausen AG of Switzerland and Wiltax AS of Denmark, the company has been granted licence subject to an export obligation of 50 per cent of its total production for the first two years and 75 per cent from the third year onwards for a further period of eight years with the option to extend the export obligation for five years more.

Considerable progress has already been made in implementing the project. Production is expected to commence by March next. The production of tufted carpets will be mainly based on indigenous raw marerials.

The capital outlay of Rs 577 lakhs on the project is to be financed by share capital of Rs 20 lakhs, term loans of Rs 351 lakhs, deferred payment to collaborators of Rs 11 lakhs and central cash subsidy of Rs 15 lakhs. Of the equity capital, Modi Spinning, its directors and friends have taken up shares worth Rs 58 lakhs equity shares worth Rs 32 lakhs have been reserved for allotment to Arova Schaffhausen AG of Switzerland and for Rs 16 lakhs to Wiltax AS, Denmark, for the supply of imported plant and machinery. The balance of Rs 94 lakhs is to be offered to the public shortly in 940,000 equity shares of Rs 10 each.

6 per cent Uttar Pradesh State Development Loan 1987

Issue price Rs 99.50 per cent.
Opens for Subscription on 23rd August 1977

The loan will be closed as soon as total amount of approximately Rs 36.50 crores has been subscribed and in any case not later than the close of business on 25th August 1977.

THE LOAN WILL BE UTILISED TOWARDS DEVELOPMENT PROGRAMME OF UTTAR PRADESH

The loan applications will be received at:—

1. Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna.
2. State Bank of Bikaner and Jaipur at Jaipur.
3. Branches of the State Bank of India within the State of Uttar Pradesh except at Kanpur.

All are requested to subscribe generously to this new loan. Application forms and full particulars can be obtained at any of the above receiving offices.

Emergency misuse of mass media

A serious legislative assault was mounted on the press during the emergency. The Films Division and other media were used in the campaigns in praise of individuals. Censorship was imposed on newspapers and periodicals. These and other inroads on the right of the citizen to information are detailed in a White Paper presented to Parliament by the minister of Information and Broadcasting on August 1. Given below are some of the highlights of the White Paper.

THE "WHITE Paper on the Misuse of Mass Media during the Internal Emergency" presented to Parliament on August 1, by Mr L.K. Advani, minister for Information and Broadcasting, describes the measures taken by the ministry during the emergency to tighten the hold on the official media and also control independent media like newspapers and films by using emergency powers at its disposal.

The document is based on the findings of a one-member enquiry committee under the chairmanship of Mr K.K. Dass, former secretary in the ministry of Information and Broadcasting, set up on May 21, 1977. The report was submitted on June 22, 1977. It was based predominantly on government records. The White Paper has been prepared on the basis of this report, as well as other material available to government.

Press Harassed

The committee received 1,037 complaints of which 820 were outside the scope of the terms of reference and are being passed to the Home ministry. Of the 217 complaints, 103 were from journalists including editors pertaining mainly to harassment. Other 114 complaints refer to misuse of censorship provisions, certification of films, manipulation of mass media.

By far the largest number of complaints related to harassment of journalists. The second highest category related misuse of censorship provisions. A number of cases of harassment of journalists occured due to the action by the state governments and its field agencies such as police and district officials.

Misuse of Censorship

Similarly, on the question of imposition of censorship, the implementation of the policy and guidelines laid down by the central government was found to have been misused by the censorship officials of some state governments.

The committee received about 103 complaints from journalists including editors. The complainants have alleged that they were subjected to various kinds of harassment as enumerated below by the executive agencies of the central as well as the state governments including their subordinate field agencies: (i) harassment of members of the press and their families by police; (ii) arrest under DISIR and MISA; (iii) withdrawal of accreditation facilities; (iv) withdrawal of normal facilities as available to accredited correspondents; (v) cancellation of newspaper declaration; (vi) stoppage of advertisements; and (vii) termination of services by management under political pressure.

In many cases family members of journalists are also alleged to have been harassed by the police. Several complaints have also given instances of alleged victimisation of journalists and editors at the instance of the former minister of Information and Broadcasting (MIB), Mr V.C. Shukla.

Some of the newspaper managements are said to have harassed their employees who were found inconvenient.

The committee received 23 complaints particularly relating to the manner of formation of Samachar and the manipulation of government media like All India Radio, Doordarshan and Films Division.

Media Manipulation

Media such as newspapers and films which were outside the direct control of the ministry were made to toe the official line by ruthless resort to censorship, and use of advertisement policy and government's control on newsprint allocation, and raw film stock allocation, as instruments of pressure or patronage and as a last resort, the threat to use MISA.

A serious ligislative assault was mounted on the press. A series of constitutional and statutory enactments were pushed through which made press freedom in the country totally illusory. The Prevention of Publication of Objectionable Matter Act, which imposed curbs on the press far more draconian than any imposed even during British days, was passed. By including it in the ninth schedule of the Constitution, this law was made immune to judicial scrutiny.

By another law, the press council was abolished. A third law deprived the press of the immunity it enjoyed in the matter of coverage of parliamentary proceedings.

Fear Psychosis

The high-handedness of political leaders was emulated by some senior officers. A phrase frequently used was 'heads will roll'. A climate of awe and fear pervaded the corridors of the ministry.

Checks were made on officers and staff. Special attention was bestowed upon Tamil Nadu. On September 2, 1976, the Intelligence Bureau was told that "in view of the prevailing situation in Tamil Nadu" it was necessary to be satisfied that all officers working in that state have had "the right attitude and requisite sense of loyalty". The antecedents of all the staff under the ministry in the state were ordered to be verified.

The budget figures show that the Information and Publicity budget (i.e. excluding AIR and

TV) for the years 1974-75, 1975-76 and 1976-77 of the I & B ministry rose from Rs 11.90 crores to Rs 14.55 crores and finally to Rs 18.70 crores. The major rise was due to expenditure in DAVP from Rs 2.66 crores to Rs 3.51 crores and finally to Rs 5.15 crores. It appears that DAVP was the main economic arm of the ministry.

The DAVP even ran out of funds. About Rs 96 lakhs were spent in 1975-76 on publicity on the emergency, the 20-point programme etc. Out of this, Rs 46 lakhs were given by other ministries and the remaining Rs 50 lakhs was carried over to 1976-77. The expenditure in 1976-77 was Rs 5.15 crores and Rs 69 lakhs was carried over to 1977-78.

In fact, taking a cue from Mrs Gandhi's earlier address to secretaries this ministry had issued a formal letter (dated August 7) to senior officers and media heads saying: "There cannot be any difference of view or opinion once orders have been passed or instructions given by an officer superior in hierarchy, and it could also be treated as loose talk if there is an expression of opinion, oral or written, contrary to decision once taken by a higher authority."

Sanctity of Oral Orders

On September 19, 1975, this was made more vigorous in an office order issued by the ministry which said:

"It has been noticed by minister that in some cases duly passed orders have not been promptly carried out. "It is reiterated and hereby directed that once an order is passed by a higher authority in writing on the file or orally it must be implemented and carried out within 24 hours....Any default in this regard will be seriously viewed and deterrent action will be taken against the person at fault."

Working procedure in the ministry was changed. It is the normal practice that some files are sent to the minister without their passing through the secretary. They are seen by the latter on the way back. On October 20, 1976, it was directed that "after orders are passed/decisions taken, at the appropriate level, except in cases where such orders/decisions differ from the proposal made, the files will be marked to the officer who is to implememt the decisions/orders. MIB's directions will be complied within 72 hours". These files on return from the minister no longer passed through the secretary. This was a major departure.

Rigid Controls

All the media under the ministry were brought under rigorous control. The prime minister's speech, as indicated in her address to AIR station directors, on September 9, 1975, was reiterated by the minister and the deputy minister at the same meeting. This was followed by another meeting convened by the secretary, on September 12, 1975,

"Secretary drew attention to prime minister's observations relating to AIR and TV being under the government and said that it should now be clear to everyone concerned that, being a government department, there was no question of AIR or Television adopting an attitude of neutrality or be concerned about their credibility. He directed that minister/deputy minister's speeches and prime minister's observations should be brought to the notice of all concerned straightaway".

The Films Division was utilised for producing documentaries and newsreels highlighting the achievements and benefits of the emergency for the image building of Mrs Indira Gandhi in particular and of the Congress party in general.

News Black-out

Some of the complaints pointed out that the news regarding arrests of eminent political personalities in the wake of the emergency, were almost totally blacked out from AIR/Doordarshan. The TV medium went out of its way to make a national leader of Mr Sanjay Gandhi. The Youth Congress was given prominence in news features and even in other programmes such as dramas, skits, songs etc.

It is alleged that All India Radio, Cuttack's newsroom was being operated by a coterie of the Youth Congress who used the station mainly for publicising the activities of the Youth Congress and Mr Sanjay Gandhi.

The incident regarding banning of songs of Mr Kishore Kumar on All India Radio and TV has been mentioned in some of the complaints.

There are several other instances of alleged manipulation of the mass media. DAVP advertisements became a vehicle of political patronage. The quantum and the papers were determined on political criteria.

Films which are predominantly educational and which promote national integration and have won National Awards are recommended to the state governments for exemption from entertainment tax. It is alleged that this power was arbitrarily used to favour films which projected and publicised the official policies during the emergency.

Some of the complaints speak of the lack of courage shown by newspaper establishments and manner in which they vied with each other to applaud the government. It is alleged that encouraged by the then government, these establishments ill-treated their independent-minded employees.

Attention has also been drawn to the cutting of electric supply at Delhi which paralysed publication of most newspapers for two days immediately after the proclamation of emergency. There were also complaints from some government media employees who claimed to have come under a cloud during the emergency for which they were superceded or punished.

Boost for Youth Congress

All out efforts were made by the publicity media to boost up the image of Mr Sanjay Gandhi and the Youth Congress. All India Radio, Doordarshan and Films Division went out of their way to do this. The Youth Congress session at Gauhati was covered by Films Division. A special newsreel was produced on the conference of Block Youth Congress Presidents held in New Delhi. The Films Division also covered in its newsreel Mr Sanjay Gandhi's visit to Tirupati.

A colour film entitled 'The Prime Minister' on Mrs Indira Gandhi was undertaken for production by the Films Division in pursuance of ministry's directive. The final length of the film is 603 metres and its running time is 20 minutes. The cost of production of this

works out to Rs 2,24,068.03. This was due to the fact that two versions of this film were made. The rough-cut of the first version was seen by the former prime minister. After seeing the first version, Mrs Indira Gandhi directed that the commentary should be given "greater focus". The end, she said, was rather tame. She also desired that the film should be shown to Mr Sanjay Gandhi for his comments before proceeding further.

New Version

Thereafter another version was prepared involving fresh shootings by another director of this division. This film was first released on June 18, 1976. It was re-released on January 28, 1977 as desired by the ministry. The total expenditure including production, dubbing and preparation of 35 mm and 16 mm prints of this film comes to Rs 9,94,993.10.

During the emergency a large number of requests were received from the Congress party and Youth Congress for performances before the meetings or gatherings which were organised under their auspices. They were generally acceded to although the normal practice was not to appear at gatherings of political parties. A large number of these requests were acceded to on the orders of the then MIB, (Mr V.C. Shukla) The Song and Drama Division was used for other purposes.

Requests for programmes, coverages, etc. from the Youth Congress were being entertained by the official media. In December 1976, the then minister had issued instructions to all media that any requests from the Youth Congress for any facility or programme should be entertained only if they were received from Mr Gufran Azam, general secretary, Youth Congress. Requests on behalf of the Youth Congress received from any other source should be referred to Mr Gufran Azam, before media took any action on them.

Campaigns were mounted in praise of the emergency as well as the 20 plus 5 point programme by all media. An estimated amount of Rs 2.98 crores was spent exclusively on such publicity, apart from Rs 62 lakhs spent by the media on package publicity programmes.

Film producers who dabbled in political comment found themselves in serious trouble during the emergency. AANDHI whose heroine was supposed to be modelled on Mrs Gandhi was suddenly suspended. It was later permitted only when the producer came out with a revised version. "KISSA KURSI KA" met with even a worse fate. This film was a satire on current politics. This film was first banned and later confiscated. A CBI enquiry ordered by the new government has concluded that the film as well as its negative had been purloined and subsequently destroyed.

Films Banned

Films supposed to have even a remote bearing on the emergency or its background were also frowned upon. "ANDOLAN", a film dealing with the 1942 movement could not be released because the producer was ordered to cut all the portions dealing with violence or the underground movement.

The movie "All the President's Men" which was in essence a documentary style portrayal" of the Watergate episode was also blocked by government.

Soon after the announcement of elections, the minister issued certain directions which actually amounted to the abuse of media including Samachar for electoral ends. The minister gave directions as to how the achievements of the prime minister and her party were to be projected and also indicated as to how a watch should be kept on the functioning of the press, AIR and Doordarshan.

The Code of Ethics

In a meeting held on January 21, 1977, important directions were given e.g:

The Code of Ethics should replace the guidelines issued to the Press for guiding their conduct.

Chief Censor should be redesignated as Chief Press Adviser. The orders issued earlier concerning the appointment of Chief Censor and his other staff need not, however, be revoked.

While serving the pre-censorship withdrawal orders on all news, which should be done by the Chief Press Adviser by individually calling the editors concerned, the Chief Press Adviser should explain that pre-censorship can be imposed again on these papers unless they observe the Code of Ethics and PPOMA regulations in letter and spirit and gave no cause for complaint to the government.

A very careful watch would now need to be kept on the trend and tenor of newspapers and journals in all parts of the country. The surveillance and scrutiny of newspapers issued at provincial level and upwards should be particularly rigorous.

Apart from Chief Press Adviser, as-cum-PIO and JS (I) should extensively tour various areas in the country to study how the press was behaving. Areas which were considered weak or vulnerable should receive special attention. The additional secretary and secretary should remain at the headquarters to issue guidance and other directions. The touring officers should concern themselves with the working of all the media units in the areas visited by them.

The minister took another meeting on February 3, 1977, in which it was decided among other things:

Every day, PIO, DNS, CPA, Additional D.G. Doordarshan, General Manager and Managing Director Samachar and JS (I) will attend the meeting at 10.30 a.m. under Secretary's or Addl. Secretary's chairmanship to consider the trends in the press and evolve positive action.

A report on each paper during election time should be submitted after elections.

The Content Strategy

On January 21, 1977, a politically slanted paper entitled "Campaign of 1977": "The Content Strategy", prepared by a visiting Professor of the Indian Institute of Mass Communication was considered in a meeting in the ministry and circulated to media heads.

Its patent impropriety was, however, realised the very next day when a revised paper by the professor which scored out references to elections or parties was circulated in substitution of the earlier one.

During the Lok Sabha election campaign pressures on the NSD increased. Some time

in February, the then MIB's orders were communicated to the DNS that the ratio of news should be 2 to 1 in favour of the Congress. This was further raised to 3 to 1 within a few days. The ratio ultimately rose to 8 to 1 in favour of the Congress.

From March 11, it became obligatory on the part of DNS to clear morning and evening bulletins with the secretary and afternoon and early evening bulletins with the additional secretary on telephone. The secretary has stated that he acted under the orders of the then MIB.

TV as a medium was subjected to same pressures as AIR, perhaps it succumbed more readily. There were numerous attempts to build up the personality of Mrs Indira Gandhi and Mr Sanjay Gandhi and to play down the opposition.

The AIR Code which was finalised with the cabinet's approval in 1967 and amended in March 1970 again with the cabinet's approval was summarily scrapped in a meeting presided over by the then MIB. In this it was stated that strict adherence to the existing code by AIR was not feasible in view of the changed circumstances. It was further decided by the minister that if the prime minister approved the action, it would not be necessary to go to the cabinet. The prime minister noted on May 4, 1976 as follows :

"The guidelines given to broadcasters are now obsolete. Hence the Code should lapse. But I do not think it is necessary to formally inform Parliament".

In a large number of cases, there was unnecessary interference in appointments, transfers, promotions etc. of AIR staff and even sports commentators during the emergency, mainly at the initiative of the then MIB.

There were 76 programmes in Amethi, out of which eight were in response to requests from political individuals or parties belonging to the Congress. For these programmes, two private troups were sent from Simla and eight from Delhi.

In Rae Bareilly, there were 75 programmes. Twelve were performed by border troups from Simla.

In Raipur there were 17 programmes. Ten were performed by a party from Delhi.

When a news item appeared that during the elections the S & D troups were used in Raipur, they were denied by the S&D Division.

In the case of Giton Bhari Sham, the Vidushak Sangh which calls itself a cultural organisation in the capital sent a written requests dated March 12, 1976 to Mr V.C. Shukla for a performance on April 11, 1976 at which popular film artistes like Lata Mangeshkar, Dilip Kumar, Amitabh Bacchan, Jaya Bhaduri and others were to participate without charging fee. The entire collection was to be handed over to Mr Sanjay Gandhi who was the chief patron of the society and also for utilisation by the government for family planning work.

They made a request to Mr Shukla that Song & Drama Division should provide a stage of 40′ x 60′ with lighting equipment and technicians. An expenditure of Rs 63,281 was sanctioned after permission from the minister. This expenditure was on stage construction, green rooms, furniture, lighting equipment, power-electricity charges, temporary connection charges, transportation, labour, chowkidars and publicity.

The Song & Drama Division organised a show at the headquerters of Youth Congress on April 30, 1976. Ex post facto sanction for Rs 5,169 was sought and reluctantly given by Finance ministry.

Bombay offshore programme

With the completion of installation work relating to the first-two phases, the ONGC has taken up the work for its third phase to achieve a production of 120,000 BOPD from Bombay High and 20,000 BOPD from Bassein and to transport the crude oil and associated gas to a shore terminal. Given below is a short description of the programme.

Oil was discovered in Bombay High structure in February, 1974 and the discovery was declared commercial after the testing of the third well in February, 1975. The field potential was then estimated at an annual production rate of 10 MTPA and this figure has been subsequently confirmed by drilling of 10 additional assessment wells. ONGC has also discovered in March, 1976 an oilfield at Bassein with a potential of two MTPA and a large gas field at south Bassein in April, 1976. Soon after completion of the fourth well on Bombay High in May, 1975, plans were drawn up for putting the Bombay High field on commercial production. Similarly, with the completion of three assessment wells on Bassein structure, plans have been drawn up for putting the field in commercial production by end of 1978.

The production programme at Bombay High under Phase I commenced on May 21, 1976, with a start up of production from two wells on "A" platform at a rate of 4300 barrels per day. All the eight wells on two platforms "A" and "D" have since been put into production and a daily production rate of about 35,000 barrels was achieved on January 13, 1977. This marked the completion of Phase I which consist of two platforms, a flare jacket and a SBM loading system.

Under Phase II two more well platforms 'B' & 'E', and a well cum production platform 'C' and an export SBM were to be installed and this work has also been completed in May 1977. During the current monsoon, "Shenandoah", is drilling wells on the 'C' platform and the four wells are likely to be completed soon. When all the four wells are completed and commissioned at 'C' platform next month, production is expected to go up to over 50,000 barrels per day. By December 1977, four wells at platform 'E' would also be put on production. During the first quarter of 1978, the wells at platfrom 'B' would also be put on production. Thus all the 20 wellsat the five platforms are expected to be completed on a production rate of 80,000 BOPD or four MTPA achieved by April 1978.

The total investment on Phase-I & II of Bombay High is estimated to Rs 149.89 crores. Cumulative oil production to date is over 5.0 million barrels and the foreign exchange already saved is over

Rs 50 crores. The cumulative production would have been, in fact, higher but for the forced shut downs during a good part of the last monsoon period and the current monsoon period. Production has been interrupted mainly due to the difficulties in keeping the SBM loading system operational in the rough sea conditions of the monsoon. It is not possible to keep the tankers moored to the SBMs when waves in excess of 15 feet are experienced. This difficulty will be, however, overcome when Phase III-A as detailed below is commissioned.

With the completion of installation work relating to Phase-I and II, ONGC has taken up the Phase-III programme of work. The broad targets for Phase-III are to achieve a production of 120,000 BOPD from Bombay High and 20,000 BOPD from Bassein and to transport the crude and associated gas through sub-sea lines to a shore terminal. This Phase is split into tow parts, Phase III-A and Phase III-B.

Trunk Pipeline

Phase III-A of Bombay High development will be the main construction activity during the coming fair weather season. This consists of : (i) the laying of a 30″ oil trunk pipeline and a 26″ gas trunk pipeline from Bombay Aigh to Uran shore terminal; (ii) one 36″ oil line, one 18″ line each for methane and ethane fractions and one 8″ line for LPG from Uran to Trombay; and (iii) platform "F" near platform "A" with gas treatment and oil pumping facilities for injecting oil and gas into the trunk lines. Pipeline technologists of UK have been appointed as consultant for this entire phase of the work.

Supply orders have been placed for: (i) delivering the 30″ and 26″ line pipes, (ii) wrapping and weightcoating of these pipes, (iii) fabrication and instalation of "F" platform, (iv) anodes for pipe protection, and (v) pipe fittings. For pipe laying from Bombay High to Uran, tenders have been received and orders will be placed in the next few days. Tenders have also been floated for the onshore pipe laying work from Uran to Nhava area and for laying the bay lines to Trombay.

Communication Network

Action for establishing an in-field communication, telemetry and tele-control system connecting all the existing five platforms with the "F" platform is also in progress. This will enable the three well and two well-cum-production platforms to be controlled and operated from a central control station on the "F" platform, these five platforms being normally unmanned. Radar and Communication Project office wing of the ministry of Defence has been assisting ONGC in this work. All these jobs are planned to be completed by May 31, 1978. The cost of Phase III-A as approved by the Public Investment Board is Rs 238.92 crores and it is expected that the work can be completed within the cost estimates.

When the pipelines are commissioned by May 31, 1978 associated gas from Bombay High received at Uran would initially be supplied to the Maharashtra State Electricity Board for generating power. Necessary steps are being taken to commission gas turbine sets at Uran around that time. As soon as the Trombay fertilizer plant is ready to take gas later in 1978 for feed-stock and steam-raising purposes, gas would also be supplied to them. The associated gas available at that time would be about 1.2 million cubic metres per day. In the interim period, gas will also be supplied to Tata Thermal Power Station. So far, associated gas produced and flared amounts to more than 76 million cubic metres. Only a small amount of less than 1.0 million cubic metres was needed for offshore use for gas engines. With the commissioning of Phase III-A, gas will be fully utilised instead of being flared offshore. The completion of Phase III-A will ensure a further saving of foreign exchange to the extent of Rs 85 lakhs per day on import of oil at international prices.

Phase III-B consists of setting up of (i) four well platforms and a central processing platform at Bombay High, (ii) two well platforms, a production platform and a flare jacket at Bassein, (iii) a riser manifold platform at Bassein, (iv) a supply base at Nhava, (v) crude stabilisation and gas fractionation facilities at Uran. This phase will also provide for completion of a communication/telementry, telecontrol link between the oil/gas fields and Uran terminal. The cost of Phase III-B is estimated at Rs 235-70 crores. Engineering work on this phase has already been started by Engineers India Ltd, who are the consultants for the Bombay High and Bassein platforms. Some of the Bombay High well platforms to be installed under Phase III-B will be fabricated by Mazagon Dock Ltd. and a letter of intent has already been issued to them. Upon completion of Phase III-B by May 1979, crude production will reach a rate of 140,000 BOPD and associated gas a rate of 2.1 million cubic metre per day. The value of crude alone will be over Rs 150 lakhs per day at international prices.

The riser manifold platform to be installed on the trunk lines at Bassein will enable associated gas from Bombay High and free gas from South Bassein to be fed in a varying quantities to a 26″ gas trunk line. Sea bed surveys for the pipeline route and other studies regarding landfall are expected to be initiated soon after the monsoon and a detailed project report will be submitted to government by March, 1978 for necessary investment approvals.

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The cows come home

THE RESTORATION of the *status quo ante* on the bonus issue is a clear attempt to squeeze virtue out of necessity. The central government could have acquired a reputation for political honesty — assuming that it sets store by this old-fashioned concept — had it plainly confessed that, in this matter, it was a prisoner of circumstances, parts of which were of its own making. Instead it has chosen to assume an air of sanctimonious holiness. The Janata party will soon find that it is sadly mistaken if it acts too often on the assumption that it could continuously plead for absolutions from its own sins merely by harping on the excesses of the emergency.

It is quite true that many wrong things were done during the emergency but it does not follow that everything that was done then was necessarily wrong. A few days ago the Delhi Administration removed virtually completely the restrictions placed on the keeping of cows in residential quarters. It has done this at a time when there is a greater need than ever to check the proliferation of insanitary conditions in the capital. This decision too has been represented as the undoing of one of the excesses of the emergency. Clearly, pleading of this sort must necessarily do damage to the Janata image. However strongly we may criticize the abrupt and arbitrary manner in which the Bonus Act was abrogated during the emergency, none of us, with justice in our heart, could argue that the Act itself was not a high-handed piece of legislation. It is true that the emergency regime would have done better had it suitably amended the Act. That it failed to do so cannot alter the failure of the present government to take courage in both hands and put forward a new scheme which would have served the true interests of the community rather than the political interests of the ruling party. The Janata government's decision on the bonus issue is clearly an act of cowardice compounded by self-interest.

It is therefore, futile for Mr Ravindra Varma, the Labour minister, to try to persuade the public that the decision on the bonus issue shows that the government "decided to set right another of the grievous wrongs that were inflicted on the working-class during the emergency". Mr Varma must be living in a paradise of his own if he supposes that the working-class would fall on its knees in gratitude for a favour done or even a wrong righted. Even infants-in-arms in working-class families should know that this decision is an off-spring of the government's helplessness. This helplessness is only partly due to the acceptance in the Janata election manifesto of the proposition that bonus is deferred wage. After all there are other commitments in that manifesto on which either the ruling party or the government or both appear to be having second thoughts. Some of these pledges, which are still hanging in the air, are certainly of greater public importance than the one regarding the restoration of bonus. Still the Janata leaders do not seem to be in a hurry to redress the grievous wrongs done by the previous regime to which these Janata pledges of rectification relate. For instance, the MISA is still hanging over the nation as a Damocle's sword. That this weapon had not yet become a paper toy was rudely brought home to the public recently when a minister dared to hint at possible resort to the preventive detention of traders for the purpose of bringing down prices. It was to the credit of the party that some colleagues of Mr Mohan Dharia promptly made it clear to him that he had been talking of turn, but the suspicion remains that the Janata party is not above politicising where its election manifesto is concerned; currently, some enthusiasm is being shown for COFEPOSA.

The suspicion therefore must remain that the Janata party's vote-catching promise to restore the Bonus Act may explain away the bonus decision, but cannot explain it. The explanation itself must be that the decision has been taken not on the ethical consideration that promises are meant to be kept, but under the political compulsion of the reality that it may be dangerous to break certain promises. Today, all over the country, the general labour situation is ripe for exploitation by unscrupulous political interests whatever may be their respective party label. Some of these interests are very

much in evidence within the Janata party also and, given the jockeying for positions that is going on all the time among the leaders of the party — we are not speaking of "factions" for politeness' sake —, the Janata government was obviously in no position to decide the bonus issue on merits. With the CPI(M) in power in West Bengal, communist trade unions active in many states particularly Tamil Nadu, the INTUC more ready than ever to fish in troubled waters and the Janata socialists and trade unions determined to prove their *bona fides*, the industrial situation today offers incentives to the highest bidder all along the line. This is why, although the prime minister, who must always be presumed to be speaking for the government, had earlier rejected the concept of a minimum bonus being enforced on companies making losses, the Labour minister could still have the satisfaction finally of claiming a triumph for Janata ethics in respect of the bonus decision as it was announced last week.

inflationary implications

There is debate on the inflationary implications of the bonus decision. Some of the arguments urging that the bonus decision would have aggravated inflation are obviously laboured. For instance, there could be no direct cost-push effect. The manufacturers cannot or do not add to present or future prices the cost of bonus paid out of past profits or even of bonus paid in spite of past losses. As for the additional purchasing power released into the economy the Janata governments at the centre and in the states are apparently resolved in any case to load the economy with inflationary increases in public spending that a little more of purchasing power in the form of bonus to workers is not going to break the camel's back. As a matter of fact it could even be argued, as indeed it has been done, that more money in the hands of the working class could assist in stimulating the off-take of consumer goods produced by industries which have been adversely affected by the stagnation of or recession in demand; the 13 per cent bond scheme, of course, is only a gimmick which underlines the government's guilty conscience rather than speak for the rectitude of its economic policy-making.

Those who would use the inflation argument against the bonus decision, however, are not entirely without a case. Here, their real grievance should be that the decision adds up to the evidence which is casting doubt on the sincerity of the government's intentions or the effectiveness of its efforts to control money supply or regulate bank credit. Whatever else the bonus decision may do or may not, it is certainly not going to strike a blow in the cause of restraint on the growth of money supply. Again it is quite obvious that many companies would be seeking bank accommodation for discharging their bonus obligations. Already there is a demand from the business community that banks should be instructed to advance credit for this purpose. This development is taking place at a time when company funds are being squeezed by increasingly heavy tax liabilities. Moreover demands for advances against commodities for inventory building are likely to increase sharply as the kharif harvests, which promises to be large, move into the market. Finally, if the corporate sector is to avail itself readily of the investment allowance scheme, there must be firmer assurance than now of its access to working capital. For these reasons any burden placed on the finances of the corporate sector has to be viewed with apprehension.

However, it is possible for the government to anticipate some of the pressures which may be created by the bonus decision by giving financial relief to industries by a reduction in corporate tax rates accompanied by reductions in excise duties where these duties are disproportionately high in relation to manufacturers' prices or where the current rates of these duties are seen to be cutting into the earnings or profitability of the industries concerned. We must confess that, since there is neither sufficient political pressure on the government to act in this manner nor promise of enough political dividends from acting thus, it would be idle to expect the government to promulgate ordinances for reducing corporate or excise taxes along with the ordinance which is coming for the restoration of the Bonus Act.

It remains to consider whether there is any chance of the bonus decision paying for itself at least by improving the prospects for industrial peace. It is no doubt true that, had the government not taken this decision, there would have been agitation among industrial workers, while militant trade union activity would have been given a fillip. But it does not necessarily follow that, because this decision has been taken by the government, the cause of industrial peace has automatically gained. For one thing the claims of certain worker-categories such as railway men and P&T employees to bonus will have to be coped with. Insurance is

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AUGUST 29, 1947

The supplementary report of the Union Powers Committee of the Indian Constituent Assembly has given rise to an unexpected controversy. That members of this committee (who felt compelled even in the first report to interpret the three limited functions of the Union as liberally as possible) should now have recommended a constitutional framework, which is almost entirely based on the Government of India Act, could hardly have caused any surprise. On the other hand there are genuine fears that the units will find their resources extremely inadequate. It is necessary to consider how far this point of view can be legitimately met. Championship of provincial interests is no new development. In 1932, for example, when the financial position of the Centre and the units in a federal system was being tentatively forecast, the Percy Committee recommended the transfer of income-tax to the provinces according to an elaborate scheme subject to the Centre's deficiency being made up by contributions. A much simpler (and from the Centre's point of view, more convenient) allocation was ultimately adopted. Is there any justification at present for ignoring past experience, resurrecting these old schemes and recasting the financial setup as a whole ?

another sector where problems could be expected. Again there is a large number of sick units in many industries and there are also a few cases where entire industries are on the sick list. It is not all clear whether companies or firms thus affected would in practice be reasonably free to seek exemption under section 36 of the Bonus Act. The Labour minister's observations on this aspect are far from reassuring, since he has indicated that he does not expect section 36 to be activated to any great extent.

In any case, there are not a few instances where state governments may not hesitate to bring pressure on managements not to move for exemption from payment of the minimum bonus. For instance, it would be surprising indeed for the jute industry in West Bengal to be allowed much room for manoeuvre. Moreover, Mr Ravindra Varma's statement that a provision should be incorporated in the law to provide for employers and workers in an establishment or a class of establishments entering into an agreement for payment of bonus on a formula different from that of the Act provided that minimum and maximum limits of bonus are adhered to is clearly not the best prescription for minimising industrial disputes which must after all be one of the bonus decision. In theory the flexibility of this provision should serve the legitimate interests of both parties, but in practice it is likely to breed disputes rather than discourage them especially where trade union rivalries complicate negotiations, as is so often the case.

Finally, it is surely more than a little odd that the central government should have made this gesture of concern for workers at a time when one of its powerful ministers and a top Janata leader, Mr Charan Singh, has clearly expressed a resolve to confine large-scale industry essentially to the export sector. Lesser men, not so wise as the Home minister, are probably still under the illusion that the cause of workers in organised industry is best promoted not by politically motivated ad hocism in such matters as the bonus issue but by a consistent and continuous policy of promoting industrial growth all round.

PEC on the ascent

IF THIS country's exports in 1976-77 nearly touched the Rs 5000 crore-mark, it was largely due to the relentless efforts of a number of institutions in the public and private sectors. One such undertaking in the public sector which gave a good account of itself was the Projects and Equipment Corporation (PEC), a subsidiary of the State Trading Corporation of India (STC). Its exports in the year under reference at Rs 40.14 crores recorded a rise of more than 40 per cent over the corresponding exports in the preceding year. Its total exports multiplied almost four times while imports dropped sharply to a little more than a crore of rupees during the last four years. The bulk of its profits, therefore, was thrown up by increasing exports and not imports, as has been the case with certain other public sector undertakings. In the year under report, its profit before tax doubled to Rs 2.42 crores.

All this was made possible by the efforts of the PEC to locate new markets abroad and also through its eagerness to encourage the export of sophisticated equipment. Included in its exports were railway rolling stock, aluminium conductors, textile machinery, builders' hardware, automotive parts and garage equipment, machine tools, chemical equipment, castings and forgings, diesel engines, pumps and compressors, and a vast variety of engineering equipment. Some of these items were exported to developed countries indicating that this country has acquired capabilities in certain fields which compare with the best in the world. In order to support the small-scale sector in the manufacture and export of cycles and cycle parts, the PEC took upon itself the challenging task of finding new markets; happily, it recorded substantial success in this regard.

In a number of markets, new products made their entry while for some items, new markets were located. The major engineering exports included milling and drilling machines to the USSR, lathes to the USA, handtools to Australia, transformers to Ethiopia, asbestos pipes to Pakistan and textile machinery to Indonesia. And the export of these engineering products was won over through competitive bids. In this task the PEC was greatly assisted by the policy of carefully selecting its business associates. Only those firms which exhibited competence to manufacture products of high quality and which adopted proper methods of production were chosen as collaborators.

turnkey projects

In the year under report, the PEC for the first time sold electrical equipment to Ethiopia, Jordan, Mauritius and Turkey, lightning arrestors to Sri Lanka, insulators to Bangladesh and mini-distribution pillars and distribution boards to the United Arab Emirates. Two turnkey projects for which the undertaking won over competitive bids were: (a) transmission line towers in Dubai; and (b) two small-scale units in Tanzania for the manufacture of paints and biscuits. It has intensified its efforts to secure additional turnkey projects in the Gulf, Saudi Arabia and Egypt, and in this effort it has rightly sought the cooperation of certain multinational contractors and consultants.

During the current year, the PEC is confident of raising its exports further by about 50 per cent to Rs 60.0 crores. High on the list is the export of railway equipment valued at Rs 19.0 crores followed by lighting engineering equipment at Rs 10.0 crores, industrial machinery and machine tools at Rs 8.3 crores, textile machinery at Rs 8.0 crores and electrical engineering equipment and electricals at Rs 6.0 crores each. The undertaking is fully conscious of the severe competition which it is likely to face from leading companies belonging to the developed countries but the confidence of the associates as well as the buyers which it has already won over, is expected to stand it in good stead. Most of its efforts are now concentrated on the non-canalised sector and in pushing up sales to the general currency area.

To sustain the gains already made and to further extend the areas of activities of such public sector undertakings as the

PEC, Mr Mohan Dharia, the union minister of Commerce, made two suggestions at the sixth annual general meeting of this undertaking. First, he asked the PEC officials to "strengthen consumer services including after-sales-service" to international customers. Surely, to project a good image of our technical capabilities in the sphere of engineering equipment, this is of vital importance. The after-sales-services need to be organised efficiently even though they may restrict the profitabiltiy of the sales in the short run. Over the long run, they are bound to prove exceedingly remunerative. Second, Mr Dharia wanted the PEC "to extend infrastructural services to the small-scale sector in order to activise their export potentialities". In the case of the cycle industry, as stated above, some success in this regard has already been achieved by the PEC but it is highly doubtful if the pace at which this undertaking is planning to grow can be achieved by getting bogged down in the organisation of the small-scale units. Mr M.M. Luther, chairman of the PEC and his colleagues had better pursue sales of big turnkey projects on which depends the success of their ambitious programmes and projections.

The PEC has taken the right decision in intentisifying its image as "the leading exporter of engineering goods and services" through participating in trade fairs and exhibitions in different parts of the world. Despite this country's successful efforts in exporting engineering goods valued at more than Rs 500 crores last year and with a target of Rs 650 crores for the current year and Rs 1000 crores for 1980, our country is still rated as an exporter of traditional goods in the world markets. Intensive world-wide publicity including participation in international fairs and exhibitions should be accorded a high priority. In fact, the PEC should organise Indian engineering trade fairs abroad in close association with associations of engineering industry in this country.

States in the market

THE RESERVE Bank has been keen in recent months on maximising borrowings through open market loans and bonds by the central government and public bodies. The central government particularly has utilised the unusual demand for gilt edged securities by intensifying its borrowing for 1977-78. In May there were two re-issues of earlier loans for Rs 100 crores while on June 20, 1977, three new loans were issued for cash subscription, netting in Rs 440.02 crores. Recently there were two more re-issues for Rs 100 crores which were taken over by the RBI on its own account in order to replenish its depleted holdings and enable it to effect net open market sales systematically. In spite of the virtual soaking of the gilt edged market through massive issues of loans and bonds there is still an unsatisfied demand and even six per cent guaranteed bonds are quoting at a slight premium. The scheduled commercial banks, Life Insurance Corporation and provident fund particularly are keen that they should load their portfolios with a heavy proportion of long medium and long dated issues in order to improve the current yield and take advantage also of any increase in market value that may take place in the not distant future even with a mild retreat from dear money.

The Reserve Bank has not been obliged to hold large parcels of new central loans as even the latest reissues are being rapidly absorbed by institutional investors in spite of the proximity of the state loans. The response has been so heavy that outright sales of the recent issues are being effected on a rationed basis. The central exchequer is naturally keen on mobilising additional resources as its decision to repay in cash the second instalment under the Compulsory Deposit Scheme involving an outgo of Rs 320 crores will result in a reduction in budgetary receipts. Though it is not known what exactly is the precise credit taken under PF accounts and special deposits in the central budget estimates for 1977-78, the amount should be fairly sizeable and there would be an enlargement of the overall deficit in the process. The reissues for Rs 100 crores have been freshly made in order to meet part of the gap in the capital budget on account of the repayment of the second instalment of CDs and also meet the unsatisfied demand for gilt edged securities.

It should surely be possible for the Finance ministry to exceed its target for gross borrowing of Rs 1,129 crores as less than Rs 600 crores will have to be raised after the state loans are out of the way. The net amount involved will be only Rs 550 crores even assuming that the gold bonds will be fully redeemed in cash, on the stipulated basis. The banking system alone will be in a position to invest more than Rs 400 crores net in new loans while LIC and provident fund will be able to find another Rs 250 crores especially if 6¼ per cent or 6½ per cent securities can be issued by the Reserve Bank for meeting the preferences of investors.

single operation

A similar policy however is not being pursued by the Reserve Bank in respect of borrowing by state governments. In view of the enlarged capacity of the gilt edged market, it has been decided on the present occasion to float all loans in one operation. Twenty state governments are seeking to raise Rs 257 crores and there are maturing loans for Rs 105.15 crores. As all the loans are bound to be oversubscribed, on the opening date, August 23, and the states will be exercising their rights to accept subscription upto 10 per cent in excess of the notified amount, the net sum raised will be Rs 177.55 crores. The Reserve Bank has obviously not given thought to the question of raising larger amounts through open market loans as a close analysis of the loan data reveals that the state governments will be raising more or less the same net amount as in 1976. There were two tranches last year with 13 state governments coming out in the first phase and 12 in the second phase. The government of Meghalaya is not now coming out in the market with its loan, the notified amount on the last occasion being Rs 1.25 crores. While there was heavy oversubscription in 1976, the net amount raised was only Rs 176.15 crores excluding Meghalaya. The intention thus seems

o be to confine the present borrowing perations to the garnering of resources n the same scale as last year and deter- ine whether there could be additional ssues later. The only difference in the rms of loans pertains to the issue price, hich has been fixed in all cases at a dis- ount of ½ per cent against one per cent reviously. The interest rate is unchanged t six per cent while all the loans will nature in 1987.

The largest notified amount is again in espect of Uttar Pradesh which is seeking o secure 36.50 crores and a net amount of Rs 25.79 crores against Rs 36.25 crores and Rs 25.51 crores. Maharashtra is asking or Rs 26.50 crores against Rs 25.25 crores n two instalments, Tamil Nadu Rs 25 rores against same amount in two instal- nents, Karnataka Rs 15.50 crores against Rs 17.50 crores and Andhra Pradesh Rs 20.25 crores against Rs 22.75 crores gain in two tranches. The gross and net mounts are more or less similar as com- pared to last year.

Though there is no great preference for six per cent loans the institutional inves- tors are anxious to absorb whatever loans and bonds that are freshly issued and the monetary authorities may be said to be dictating their terms to a certain extent to he lenders in view of the unprecedented ccretions to their resources. It would not have been expected even in 1974 that the banking system will be in a position to add to its deposits by over Rs 3600 crores annually while the LIC and provident funds will be investing freshly Rs 700/800 crores in all classes of gilt edged securi- ties. As over Rs 1000 crores will have to be invested by banks alone and the co- operative banks and others will be making their own contribution the stock of new loans and bonds in 1977-78 will have to be for a net amount of Rs 2000 crores. Even assuming that the centre will be appropriating to itself a net amount of Rs 1200 crores the, states should be helped to secure at least Rs 250 crores on their own account leaving the balance to the state electricity boards, financial corpora- tions and municipalities.

This raises the question whether the state governments will be allowed to secure additionally at least Rs 75 crores if not Rs 100 crores. It has been complained that the budgetary position of many states has been seriously affected by an inordinate increase in expenditure and grant of concessions to taxpayers on the eve of election. The increase in state overdrafts was adjusted to a significant extent during the last week of June by the central government making payments to the RBI on account of the states. It is not however clear whether there were only advance payments to the states for adjust- ing overdrafts or the centre is contemplat- ing additional assistance. In view however of the difficulty in correcting the budge- tary position before the end of the current financial year by lending additional taxes or adjusting irrigation rates or otherwise, the state governments should be permitted to fill part of the unexpected gap by issu- ing loans in a second tranche for about Rs 75/100 crores. Otherwise, the centre will have to come to the rescue or there will have to be a pruning of Plan outlay in the state sectors. It should therefore be the aim of the central government to help the cooperative state governments with the additional funds either through fresh central assistance or new open market loans or both. When there is an ade- quacy of resources in the organised sector, it should not happen that the states are penalised even when they are prepared to mend their way.

State Loans Fully Subscribed

The subscription for the 20 state govern- ment development loans (six per cent 1987) to raise Rs 257 crores, were closed on August 23, as the loan amount was fully subscribed, according to a RBI communique.

The states are, Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh and West Bengal.

Reorganisation of FCI

THE PROPOSED reorganisation of the public sector fertiliser industry has created a good deal of controversy. The minister for Petroleum, Chemicals and Fertilisers, Mr H.N. Bahuguna has mooted the idea that the present three fertilizer manufacturing undertakings in the public sector, namely the Fertilizer Corporation of India (FCI), the National Fertilizers Limited (NFL) and the Fertilizers and Chemicals, Travancore Ltd (FACT), should be regrouped in the form of five units by splitting up the FCI. If the proposal is finally adopted, as is expected, the FCI will have under its control seven units—six manufacturing units and the seventh research and deve- lopment unit. The manufacturing units will include the old Sindri project, the Sindri modernisation scheme, the Sindri rationalisation project, the Talcher plant, the Ramagundam unit and the Gorakhpur project, including its expansion. The research and development unit will be the planning and development division of the FCI. The Nangal project as well as its expansion scheme are to be transferred to NFL which is currently setting up two new fertilizer plants at Bhatinda and Panipat. A new undertaking—Bharat Fertilizers Limited—will be created to manage the five projects of the FCI in eastern India, namely, the Namrup plant, the Namrup expansion project, the Haldia unit and the Barauni and Durgapur plants. The Trombay complex will be vested in another new corporation to be created under the name of West Coast Fertilizers. It will not only be looking after the exist- ing fertilizer manufacturing capacity at Trombay but also further expansion there. Of the new projects on the anvil, the Korba plant will be entrusted to the FCI, a new plant at Namrup to Bharat Ferti- lizers Limited and the two proposed Bombay High associate gas based projects to West Coast Fertilizers. As a sequel to this regrouping, each of the above four undertakings will have investment between Rs 550 crores and Rs 800 crores. The reorganisation is being done on regional- cum-technological considerations, although even after it being effected, the FCI will

continue to be a multi-feedstock corporation. No change has been proposed in the FACT set-up.

Three objections have been raised to the above reorganisation. Some circles see in this reorganisation an attempt by the bureaucracy to strengthen its hold on the public sector in the fertilizer industry. The other two objections are: (i) the reorganisation will condemn the workforce and the management of some units to perpetual losses as in their case the break-even point is disproportionately high either owing to the unduly large capital costs or the high operational costs; and (ii) overheads should go up as there will be separate managements for the reorganised units, instead of a combined one at present in the case of the FCI which ultimately will be split up into three units.

higher overheads

Ostensibly, the three misgivings are not unwarranted. Smaller undertakings generally can be more amenable to bureaucratic pressures than the larger ones. There is also no denying the fact that the cost of manufacture of fertilizers based on different feedstocks varies materially. The capital costs of the various projects under implementation at present too have gone up considerably because of various reasons which include delays in implementation and vitiation of equipment prices by the inflationary tendencies both at home and abroad, particularly after 1973. The separate managements for the new units will involve proliferation of the top level management, leading to higher overheads.

A close scrutiny of the objections, however, suggests that they do not hold much water. The minister for Petroleum, Chemicals and Fertilizers has assured the staff that its interests would be fully safeguarded particularly in regard to promotion. The transferable employees in the higher echelons are to be provided the option to choose the undertakings where they would like to work. They will also be allowed to compete for open recruitment. The class III and IV employees have been assured that they would not be upset from their present places of work unless they themselves desire so. It is envisaged that the promotion base as well as the criteria for promotion—seniority-cum-efficiency—will remain the same for the FCI staff as if the reorganisation had not taken place.

As regards the adverse economy of some units of the FCI, the misgivings are not justified even otherwise. This problem is being looked into by the Marathe committee which is to suggest retention prices for different units taking into consideration all relevant factors, including high capital costs resulting from factors beyond their control and feedstock prices and pattern, so that the break-even point is attained around 80 per cent utilisation of capacity. All the reorganised units will be having production-cum-marketing operations. Overlapping of distribution is to be obviated so that no cross movement of fertilizers takes place. A system of product exchange is to be evolved among the reorganised units to take care of the problem of surpluses and deficiencies in the various undertakings. This should improve their viability to no small extent.

The splitting up of the FCI into three units is bound to result in some increase in expenditure at the board level as the overall strength of the staff at this level will go up. But the impact of this increase in expenses is proposed to be minimised by inducting the general managers of the constituent units into the board of directors. The new arrangement, on the other hand, can be expected to yield wholesome results in respect of expeditious resolving of the problems of the plants and distribution network. The top management, surely, can be expected to manage better a smaller number of units located in each others' vicinity than a large number spread throughout the length and breadth of the country.

The present set-up of the FCI, though well integrated, has bred indecision at the lower levels. To a very great extent, this of course is the result of the procedures governing decision-making in the public sector projects and the culture that has been built up over the years on the pattern of governmental decision-making. To effect a break from the past, it is proposed to inculcate the commercial culture in the reorganised structure and the managements of the individual undertakings are to be made fully responsible for their assignments through as much decentralisation of decision-making as possible.

With a view to allaying the fears about any increase in the bureaucratic control, Mr Bahuguna has stressed that no change whatsoever is contemplated in the relationship between the ministry and the reorganised units. Much, however, depends on to what extent the men at the helm of affairs of the reorganised units will be prepared to assert themselves.

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Workmen's Compensation Act : perspectives and problems

Pawan Chaudhary

The Workmen's Compensation Act is more than fifty years old. Though it has undergone 17 amendments, the author feels that it requires further amendment, particularly its name, which is not indicative of the purpose of the act, needs to be suitably improved. He gives a short description of the scope and coverage of the act.

EXPRESSING THE object of the Workmen's Compensation Act, 1923, the Royal Commission on Labour had observed: "The provision for compensation is not the only benefit flowing from workmen's compensation legislation; it has important effects in furthering work on the prevention of accidents, in giving workmen greater freedom from anxiety, and in rendering industry more attractive". The Act applies to the whole of India and provides social security to workmen. This humanitarian measure came into force on the first day of July, 1924. Its man object is to provide for the payment of compensation by certain classes of employers to their workmen for any injury or death caused to them by accident,

Prior to the passage of this social security measure, the employer could be held liable to pay compensation to his workmen for personal injury or death only if he could be proved guilty of negligence. Despite the employer's guilt of negligence having been proved, he could escape the liability of compensation by putting forward any of the defences contained in the three doctrines, namely: (1) the doctrine of common employment; (2) the doctrine of assumed risks; and (3) the doctrine of contributory negligence.

employers liability

Under the defence of the doctrine of common employment, the employer was not liable to pay compensation to a workman for injury when the employee was working with several persons for a common purpose, and second, he was injured by some act or omission on the part of some of the co-workmen. The doctrine of assumed risks was derived from and based on the rule 'Volenti non fit injuria'. The rule implies that one is not entitled to damage if one has volunteered to take risk of any injury. If a workman knew the type of risks which he was running while working in a factory, the employer was not to be held liable to pay compensation for injuries.

Finally, under the doctrine of contributory negligence, the employer used to contend "no negligence, no liability". If the employee himself was negligent in discharging the duties, the employer could not be held responsible in any manner and liable to pay any compensation for the injuries sustained by the employee.

Obviously, in the face of the aforesaid defences of the employers, the workmen

POINT OF VIEW

could not seek or obtain any relief in case of an accident. Hence, the need to enact the Workmen's Compensation Act. It has changed the complexion of the situation altogether. It has provided and proved, as such, a panacea for the problem of having a cheap and easy remedy to seek relief in case of injury/death caused by accident during the course of employment. The Act enables a workman to get compensation irrespective of his negligence. It has specified several amounts to be paid by the employer in case of different injuries caused to the workman. The Act applies to workmen drawing wages amounting to Rs 1,000 per month and provides easy and prompt administrative machinery for the realisation of the compensation.

As a result, any injured workman or legal representatives of any deceased workman can resort to either of the courses for claiming compensation. These courses are: (1) civil suit for damages against the employer; and (2) claim for compensation under the Workmen's Compensation Act. However, no claim for compensation can be made under the Act if the workman has filed a civil suit. Also, a workman cannot file a suit for damages in any court of law if he has filed a claim under the Act or there is an agreement between the workman and his employer, providing for the payment of compensation as per the provisions of the Act.

prompt remedy

It goes without saying that a claim for compensation under the Act is safe, less costly and prompt remedy, as compared to the civil suit for damages, and therefore the former should and actually is the first and final preference of any workman.

Before describing the essential features of the Act, some basic 'terms' defined and used under it are stated below. First and foremost, "wages" includes any privilege or benefit which is capable of being estimated in money, such as extra wages for overtime and bonus, dearness allowance and amenities of free quarters and free water. But, it does not include travelling allowance, or the value of any travelling concession or a contribution paid by the employer of a workman towards any pension or provident fund. Similarly, a sum paid to a workman to cover any special expenses entailed on him by the very nature of his employment is not covered under the concept of "wages". Wages received by a workman in a month should not exceed Rs 1,000. Earlier, the maximum limit was placed at Rs 500. It is not necessary that a workman should be paid monthly for purposes of being covered under the Act. A workman may be causual and may be paid in any manner whatsover.

Another important concept defined

under the Act is "dependent". There is a long list of persons covered by the said term. Contrary to the ordinary usage, there are three categories of 'dependent': (i) Such relations, whether actually dependent or not, as a widow, minor legitimate son, and unmarried legitimate daughter, or a widowed mother; (ii) such wholly dependent on the earnings of the workman at the time of the workman's death, as a son or a daughter who has attained the age of 18 years and who is infirm; and (iii) such wholly or in part dependent on the earnings of the workman at the time of his death as (a) a widower, (b) a parent other than a widowed mother, (c) a minor legitimate son, an unmarried illegitimate daughter or a daughter legitimate or illegitimate if married and a minor or if widowed and a minor, (d) a minor brother or an unmarried sister or widowed sister, if a minor, (e) a widowed daughter-in-law, (f) a minor child of a predeceased son, (g) a minor child of a predeceased daughter where no parent of the child is alive, or (h) a paternal grandparent if no parent of the workman is alive. The father of an infant workman is a dependent provided he can establish that he is really dependent on the earnings of the infant workman wholly or partly.

Similarly, the term "employer" includes: (i) Any body of persons whether incorporated or not; (ii) any managing agent of an employer; (iii) the legal representative of a deceased employer; and (iv) any person to whom the services of the workman are temporarily lent or let on hire to him while the worker is working for him. It includes a contractor also. Whether a person is an employer or not is a question of fact depending on the facts of a particular case. A firm also can be an employer.

nature of disability

The term "disablement" means loss of capacity to worker or to move. It may result in loss or diminution of earning capacity of a workman. Disablement may be partial or total. It may be permanent or temporary. It may be partial or permanent. Similarly, it may be total but temporary. Total disablement means such disablement as incapacitates a workman for all work which he was capable of performing at the time of the accident resulting in the said disablement. It may be temporary or permanent in nature. If an employee is rendered unfit for a particular class of job, but is fit for another category which is offered to him by the employer, the workman is entitled to claim compensation only on the basis of partial disablement and not total disablement.

essential features

Coming to the essential features of the Act, first and foremost amongst them is that it makes an employer liable to pay compensation to a workman for personal injury caused to him by accident as well as for any occupational disease contracted by him, arising out of and in the course of his employment. Rest of the features factually fountain from the said feature. The terms "workman" and "employer" having already been explained, what remain to be discussed are: (a) Employment, (b) injury, (c) in the course of, and (d) out of employment, and of course, compensation.

First of all, there must be a contract of employment between the employer and the workman. The contract may be expressed or implied, oral or written. Then there should be relationship of master and servant between the two, and finally, the employment should be for the purposes of employer's trade or business. It is only and only when the said three conditions are fulfilled, a workman would be covered under the Act.

Injury could be physical, psychological or physiological. Nervous shock is as good or bad an injury as a broken leg. It must be caused by accident, i.e. undesigned, unplanned or unmotivated happening. Finally, the said accident must arise *out of* and *in the course of* employment. The terms "out of" and "in the course of" are obviously different. The former one connotes that there must be casual relationship between the injury and the nature of job the workman is required to do at the time of the accident. The latter indicates the time when the injury should be caused, or the accident ought to occur, i.e. during the course of employment. When a workman is said to be during the course of employment is a subject on which a lot of case-law has come. It has received, suffice it to say, more than liberal interpretation at the hands of our courts so as to give as wide a coverage as possible, to keep up the spirit of the social security measure.

So far as compensation is concerned, it is calculated on the basis of wages received by and injury caused to the workman at the time of accident. The Act evaluates loss in earning capacity caused by different types of injuries, and accordingly fixes the amount of compensation payable to the workman. For the purpose there is a schedule in the Act. After the Workmen's Compensation (Amendment) Act, 1976, the compensation amounts for death and permanent total disablement have been raised considerably, and also for the temporary disablement. Now, the minimum compensation in the case of death and permanent total disablement is Rs 7,200 and Rs 10,080, respectively while the maximum is Rs 30,000 and Rs 42,000.

general exceptions

Nonetheless, an employer is not liable to pay compensation in any of the following case, namely: (a) If the injury does not result in the total or partial disablement of the workman for a period exceeding three days; (b) if the injury, not resulting in death, is caused by an accident which is directly attributable to, (i) the workman under the influence of drink or drugs; or (ii) the wilful disobedience on the part of the workman to an order expressly given for the purpose of securing the safety of workman; or (iii) the wilful removal or disregard by the workman of any safety guard or other device which he knew to have been provided for the purpose of securing the safety of the workmen.

The aforesaid exceptions—intoxication by drink or drugs, wilful disobedience of certain rules and orders, wilful removal of safety devices—however, are inapplicable in cases of fatal accidents, the reason being the dependents finding it extremely difficult to rebut evidence that the deceased's misconduct resulted in the accident.

Now the Act is about fifty-three years old. Having already celebrated its silver jubilee it is in the midst of celebration of the golden jubilee. And, it can be said

that it is well set to celebrate at least its diamond jubilee. The Act has been amended not less than seventeen times.

Still, there remain many more changes to be considered and brought on the statute book. For instance, there is the recommendation of the National Commission on Labour to evolve the scheme of a Central Fund for Workmen's Compensation. "All employers should pay to this fund a percentage of total wages as monthly contributions to cover the cost of the benefit and of administration. The fund should be controlled by the Employees' State Insurance Corporation. Periodic cash payments may be made to injured workers and their dependents by the corporation through its local offices in the same way as payments are made at present for various benefits under the ESI scheme. Medical care to injured workers should be provided by the corporation. A similar arrangement in respect of mines may be made by the Welfare Commissioners who control welfare funds for coal, mica and iron ore mines. . . ."

The commission had also observed that under the existing provisions of law, while an able-bodied worker can claim and obtain compensation for being surplus, an injured or handicapped workman is thrown out without adequate payment because accident or disease has incapacitated him. Therefore, it suggested that the said legal anomaly should be removed.

These suggestions apart, although more than fifty years have passed since the Act came into being, yet its name remains as it is. None has felt the necessity for changing it so as to convey to its reader/workman as to what it contains and is meant for. There are no two opinions on this point that the name of any legislation should be suggestive of its very purpose. Since, it is felt that the title of the Act—Workmen's Compensation Act—is not indicative of its intentions, it is suggested that it should he changed as Workmen's (Injuries) Compensation Act or any other appropriate name.

Finally, the definition of the term "dependents" also calls for a change. It ought to be brought in tune with other definitions for the simple reason that the amount a workman or his dependents get is so meagre, and still is rendered more so by the long list of dependents, that one gets hardly any satisfaction. Morever, it results in delays also in getting compensation claims settled.

Measuring economic well-being : the new indicator

S. P. Bakshi

The use of exchange rates to express the GNP of a country in a common currency is subject to serious drawbacks. The exchange rate represents the purchasing power of a currency in internationally traded goods, and in most cases it has no relationship to the goods sold in the domestic market. The author feels that there is a need for developing a composite indicator of physical consumption.

THE DEFICIENCIES of GNP per capita as an indicator of the level of economic well-being in inter-country or inter-region comparisons have long been recognised. GNP per capita is the money measure of the sum-total of the final goods and services produced in an economy in a specified period (usually a year) divided by the population. For international comparisions, the GNP per capita, expressed in various national currencies, is converted into a single currency, usually the US dollar. Its inadequacies as a reliable measure of economic well-being arises from the fact that it ignores the composition of the GNP, takes no account of the distribution and employs an unsatisfactory exchange rate.

The GNP includes all the goods and services, irrespective of the fact whether any particular good or service adds to the economic welfare or not. Though the expenditure on the military build-up and armaments forms a large part of the GNP of a country its contribution to the economic well-being is negligible. Losses caused by disasters like fire, typhoons and earthquakes are not shown as deductions from the GNP but repairs necessitated by these disasters are counted as additions to the GNP. Pollution caused by industries is not treated as negative GNP but the GNP goes up when industries incur expenditure to remove the polluting substance or its causes.

By a universally accepted convention, services rendered by a person to himself or herself or other members of the family for which no payment is received are excluded from the GNP. These intra-family services are of greater importance in developing countries than in the developed countries, first because in the former countries the concept of the family is much wider, and secondly because the magnitude and variety of services rendered are much larger. Exclusion of these intra-family services from the GNP, therefore, markedly affects international comparisions.

GNP per capita is an average figure and, like all averages, glosses over the distribution of the national product over various sections of the population. As is often the case, distribution of GNP in developing countries is highly uneven and fruits of development are appropriated by the already-rich and politically influential sections of the population. A high or rising per capita GNP is, therefore, no guarantee of a high or rising economic standard of the common masses. Even if rising incomes are shared equitably, it may happen that increase in incomes may be spent in ways that reduce rather than improve physical well-being. This is exemplified by decline in breast-feeling as a result of rise in incomes, leading to higher infant mortality.

The use of exchange rates to express the national products of various countries in a common currency is subject to serious

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drawbacks. The exchange rate represents the purchasing power of an individual currency over internationally traded goods and, in most cases, has no relationship with the prices of goods and services which are sold domestically and do not enter the international trade. The GNP per capita figure of a country, expressed in the US dollars at the current exchange rate is not a true measure of the purchasing power of the goods and services in the domestic market. For instance a family with an annual income of $2500 is fairly well off in India. In the USA, a family with this income will be below the poverty line.

Despite these shortcomings, GNP per capita has continued to be used as a yardstick of the economic progress. The reason being that the development strategies, both national and international, focus on increase in GNP as the primary objective. It was assumed that a high rate of investment could produce rapid growth of GNP, and the benefits of accelerated growth would ultimately, if not immediately, trickle down to the entire population in the form of growing per capita income which will in turn improve the living standards of the poor.

trickle-down theory

In 1960's many developing countries achieved high rates of growth of GNP but the benefits accrued largely to a minority of the population and the "trickle-down" strategy of expecting accelerated growth of GNP to show itself in general improvement of economic well-being proved to be too slow and inadequate. In many developing countries, including the most populous ones, the rise in the growth of GNP was so halting that there were few benefits to trickle down to the majority of the people.

There has, of late, been intensive rethinking on development strategies. It is now advocated that development policies should focus on direct improvement in the conditions of the poorest section of the population and this, constituting as it does, an investment in human capital and resort to labour-intensive techniques will itself contribute to the growth process. It is felt that instead of a single strategy of GNP growth which was thrust down the throats of developing countries by aid-donors, each developing country should adopt a strategy of fulfilling the basic minimum needs of the people which suits its indigenous organisation and traditional values. This "basic-needs" strategy which would assign first priority to meeting certain minimum needs for jobs, food, shelter, clothing, health care and education received universal support at the World Employment Conference held in Geneva in 1976 under the auspices of the ILO.

basic needs

Shift in emphasis from GNP growth to meeting the basic minimum needs has given rise to the need for devising an indicator that measures the economic well-being of the peoplo more effectively than the traditional GNP per capita indicator. The secretary general of the United Nations in his appraisal of the progress during the Second Development Decade stressed in 1973, the need for evolving an indicator which should supplement the GNP per capita in measuring progress and meeting the basic human needs in various countries. The US Foreign Assistance Act 1973 which stipulated that increasing amount of the US bilateral assistance should be directed towards improvement of the lot of the poor in developing countries required that appropriate criteria should be established to assess the progress of the countries in meeting this objective. In 1976 Professor Jan Tinbergan called for the development of a 'quality of life' index to be used in conjuction with the per capita GNP indicator.

The first response to this need was to develop indicators of physical consumption such as calorie intake, protein intake, life expectancy, literacy and population per physician. These disaggregated indicators made it difficult for national policy-makers or administrators of development assistance to determine the combined effectiveness of separate programmes aimed at improving the economic well-being of the people. Need was, therefore, felt for a composite indicator that would summarise the different rates of change in the various facets of economic well-being.

Such a composite indicator has been developed by the Overseas Development Council—a Washington-based prestigious policy research organization. The new indicator has been designated as Physical Quality of Life Index (PQLI). It is based on the assumption that the needs and desires of individuals initially and at the most basic level are for longer life expectancy, reduced illness and greater opportunity. It measures the success in meeting these minimum needs that can be achieved in a variety of ways—by better nutrition, improved medical care, better income distribution, increased levels of education and expanded employment opportunities. It concerns itself with the results; the means may be chosen by each country to suit its resources and culture.

composite index

The PQLI is a composite index, consolidating theree indicators—life expectancy, infant mortality and literacy. Each country is ranked in the scale 1-100 according to its performance in each of these fields. For life expectancy, the most favourable figure achieved by any country in 1973 (75 years in Sweden) was assigned the upper limit of 100 and the most unfavourable performance in 1950 (28 years in Guinea-Bissau) was assigned the lower limit of one. India, for example, with life expectancy of 50 was ranked 47. Similarly, for infant mortality, the best performance in 1973 (9 per thousand in Sweden) was rated 100 and the worst performance in 1950 (229 per thousand in

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Gabon) was rated as one. India with infant mortality of 139 per thousand was thus ranked 42. For literacy, the figures being percentages are nearly identical to their index ratings. India with her literacy rate of 34 per cent was ranked 34. The PQLI rating was obtained by averaging the ratings on the three indicators, giving equal weight to each indicator. Thus PQLI for India was the simple average of her ranks on the three indicators (i.e. sum of 47, 42 & 34 devided by three equals 41) (see Table).

It will be seen that as a rule a high PQLI is associated with high per eapita income. The low income countries with an average per capita income of $ 152 have an average PQLI of 39. As we move above the scale of per capita incomes, we find higher PQLI. For high income countries the average PQLI is 95. There are, however, remarkable exceptions. Sri Lanka with a per capita GNP of 130 is found to have a high rating of 83 on the PQLI which is higher than even Kuwait, the country with the highest GNP per capita. This shows that a fairly high quality of life can be secured even with low per capita income if appropriate policies are followed to ensure basic needs of the population. This also shows that a high per capita GNP is in itself no guarantee of satisfactory levels of literacy, life expectancy and infant mortality.

easily comparable

The PQLI fulfils the long-felt need for an indicator which could be used in place of or in conjunction with GNP per capita to measure the economic well-being of a nation. It is simple to construct and easy to understand and can be used for international comparisons or, within a country, for inter-region and inter-temporal comparisons.

It has been argued that the gap between the developed and developing countries is widening. The argument is based on the increasing difference between the developed countries and developing countries in per capita income. The widening gap argument becomes unsustainable if we make comparisons on the basis of PQLI. In terms of PQLI, the developed countries have almost reached the ceiling while the developing countries are rising, although slowly. The gap is infact narrowing and not widening. If one was to impute motives, it may be said that PQLI, has been constructed to take the wind out of the sail of the South in the current North-South confrontation.

Physical Quality of Life Index (PQLI) for Selected Countries

	Country	GNP per capita 1974 (dollars)	Life expectancy at birth (years)	Infant mortatity per 1000 live births.	Literacy (percentage).	PQLI
	1	2	3	4	5	6
I.	**Low income countries (49 countries)**	**152**	**48**	**134**	**33**	**39**
	Bangladesh	100	43	132	22	33
	Burma	100	50	126	60	51
	Ethiopia	100	33	181	5	16
	India	**140**	**50**	**139**	**34**	**41**
	Indonesia	170	48	125	60	50
	Pakistan	130	50	124	16	37
	Sri Lanka	130	68	45	81	83
II.	**Lower middle-income countries (39 countries)**	**338**	**61**	**70**	**34**	**59**
	China	300	62	55	25	59
	Ghana	430	44	156	25	31
	Malaysia	680	59	75	41	59
	Philippines	330	58	74	83	73
	Zambia	520	44	160	15-20	28
III.	**Upper middle-income countries (35 countries)**	**1091**	**61**	**82**	**65**	**67**
	Argentina	1520	68	64	93	84
	Brazil	920	61	82	66	68
	Iran	1250	51	139	23	38
IV.	**High income countries (37 countries)**	**4361**	**71**	**21**	**97**	**95**
	Sweden	7240	75	9	99	100
	Kuwait	11770	60	44	55	76
	Saudi Arabia	2870	45	152	15	29
	USA	6670	71	17	99	96
	USSR	2600	70	28	100	94

Western Europe : good news and bad

E. B. Brook

Foreign money has been flowing in to London, increasing the prospects of record reserves building up. Against this hopeful tendency, fear of a wages explosion in Britain is holding back domestic investment and making continuance of the pound's improved health more than a little uncertain.

FIRST, AS they say, the good news. One European country—W. Germany, of course—has beaten inflation. Inflation ceased to exist in Germany officially five days ago. The cost of living index actually fell in July by 0.1 points, the Federal Statistics office reported. The continued strength of the German mark against other currencies and relatively low prices of fresh food may help the German economy narrowly to avoid falling back into an inflationary state but, even there, it will be by a very narrow margin difficult to maintain. Even so, the Germans are more than ever, the envy of their neighbours with Britain with little hope of getting inflation down to anything like single figures for a very long time and the French and Italians accepting inflation as a way of life for the foreseeable future.

WINDOW ON THE WORLD

In the matter of unemployment, also, West Germany is, by comparison, the lucky west European partner, but the luck is more apparent outside Germany than within it. At the end of July nearly 973,000 people in W. Germany were without work—an insignificant figure compared with British, French and Belgian totals but it will not be long before the sensitive figure of a million is reached in W. Germany also. In W. Germany, with vivid memories after the first world war and its horrific political aftermath, one million workless is a more terrifying total than elsewhere. Both the government parties in Bonn are, for this reason, determined to do something to keep this psychological barrier from being broken but options are limited. The central strategy in Bonn is to keep inflation low and to permit free operation of market forces.

As in Britain, one of the chief causes of the increase of worklessness in West Germany is the annual influx to the labour market of school leavers. The fact that, for the first time, they have not been absorbed into the labour market is causing German politicians and others serious concern. While productivity remains high in almost all branches of industry there is danger that, if foreign demand continues to fall, the domestic market is unlikely to be able to take up the slack. Orders to the manufacturing industries have already fallen off by 1.5 per cent between May and June and for a country that depends for its prosperity on exports such a development creates foreboding. The strength of the mark is seen as a very mixed blessing since it induces potential foreign customers to look elsewhere when placing their manufacturing orders or buying manufactures.

But, if W. Germany, has a mixed bag in advantages and anxiety the British are in no less a contradictory position. The pound has been able to hold on to its new, but rather feeble strength, particularly against the weakening US dollar. Foreign money has been flowing into London, increasing the prospect of record reserves building up. Against this hopeful tendency, fear of a wages explosion in Britain is holding back domestic investment and making continuance of the pound's improved health more than a little uncertain. The government's insistence, in face of much union refusal, on extending the wage freeze into a third year reflects the national anxiety that a free-for-all in bidding for higher wages is well on the way. The unions' and parties' conferences next month are going to be crucial in this matter and no one is willing to attempt a forecast as to what the position will be like when October arrives. It may be a a sunny autumn but it is an anxious one.

a shot in the arm

As an individual, the Briton received a shot in the arm this week in the form of a cheaper cup of tea—by as much as 6p per lb in some cases. But if he drinks at breakfast most cheaply, the Briton is paying more for his beer in the evening. Those who drink coffee are, like coffee-drinkers everywhere, almost literally paying through the nose for the pleasure. In London cups of coffee in the restaurants become paler and paler about 26p (1.73 Rs) a watery cup.

But, of all the optimistic liquids with which the Briton has to deal, oil from beneath the North Sea is the most cheerful and cheer-giving. It is true that the first oilfield, the Argyll Field off Edinburgh, shows signs of drying up, after only two years' working but this particular field was always surrounded by uncertainty. For the rest of the many North Sea fields, most of them are now

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producing at way beyond their original estimates and only six of them produced half of Britain's current demand of 1.7 million barrels a day since last month. The fields are producing what was expected—or hoped—of them 18 months earlier than anticipated and the reality of North Sea oil becomes clearer as time goes on. New fields are being opened up west of the Shetlands and the vast Forties Field is expected soon to be producing half a million barrels a day, so that, by the and of this year production should be approaching a higher peak than targeted so far.

easy availability

Britain is, at the moment, able to relax about the availability of raw materials. The cost of metals has fallen by 5.4 per cent compared with June prices and by 11.7 per cent from last year's prices which were inflated by the need to import foreign supplies. At the moment, all Britain's important raw materials are as cheap in real terms as they have ever been. Tin is the one exception, owing the failure of the International Tin Agreement to come to any workable policy understanding, a fact which leaves the buffer stock manager powerless to moderate increases. A world shortage of tin is approaching and, with the Russians buying heavily, the price is believed, to be likely to go up as far as £8000 a tonne.

Similarly, the French are looking forward to an improvement in their ecnnomic condition towards the end of the year. If this happens it will be possible to increase slightly the purchasing power domestically of French wage packets. The government in Paris is satisfied that the French economy is on the road to recovery and measures taken to encourage employment of the young—a source of major concern in France—and to restrain inflation should begin to show results next month. This is something of a crucial time in France, when Frenchmen stream home to work after their traditional August holidays.

The pace of price inflation has began to decelerate and, even in June, there were indications of an improved index for the cost of industrial goods. Whereas price inflation at the end of last year reached almost 14 per cent, it is hoped to keep it just under 10 per cent this year.

The greatest anxiety in France is to hold down the national oil import bill. France has no national oil and is straining hard to increase its nuclear energy capacity to substitute for oil in both industrial and domestic consumption. Electricity and gas charges are being increased to discourage consumption. Building of houses with electric lighting, heating and cooking facilities is being discouraged by imposition of a heavy levy for connecting the services of homes with electrical heating systems, and a ceiling on the number of houses with all-electric equipment has been imposed.

National railways and mass traffic systems have been told that they must consume 10 per cent less energy than they did in 1973, when oil prices rose. France is pressing ahead with its nuclear energy programme despite riots, like that against the fast-breeder reactor at Creys Malville near Lyons where a major and international riot took place and the anti-nuclear lobby is coming to be regarded as unpatriotic.

The state power utility is proposing to spend francs 17.3 billion in 1978 on investments, 22 per cent more than last year and orders for nuclear stations, to be placed, will include some for units of as much as 1,300 MW. It is claimed that the 40,000 MW of energy generated in France in 1985 from nuclear sources will represent almost half of European installed nuclear capacity at that date. It is planned that about a quarter of estimated French consumption in 1985 of 240 million tonnes of oil equivalent should come from nuclear power. France's oil imports last year of 121 million tonnes cost the country francs 51 billion.

What concerns everyone in Europe—and elsewhere—is the course of the American economy. A new American recession would be calamitous for western Europe, but, fortunately, it is improbable. The outlook, it is generally held in Europe, is of slower economic growth in the USA, not of a slump. It is hoped and believed that the USA can continue to move ahead fast enough to avoid another world recession but not fast enough, alone, to lead to world economic recovery.

In this process, western Europe particularly and, in that area, West Germany, Switzerland and Holland particularly, have their part to play. What remains uncertain is whether all or some of them will have the imagination to realise this fact and to act on their realisation.

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Poland : planning for a consumers' market

Marek Regel

Shortage of consumer items in the home market is a major concern of the PUWP leadership and the government in Poland to day. With a view to ensuring a more rythmical pace of supplies, the government in early 1977, decided that all branches of the industry must supply 25 per cent of their yearly output to the trade.

THE TERM "market" ranks among the most popular words in Poland today. It is being mentioned again and again at various socio-economic conferences, in the newspaper—which front page the question of attaining market equilibrium —and in stores, because many articles are still in short supply even though the situation is much better than, say, five years ago.

Home market supplies are also a major concern of the leadership of the Polish United Workers' Party (PUWP) and of the government. From September until December last year alone, the PUWP Central Committee was convened three times to examine these problems. There were also a number of working conferences of activists in Warsaw, in the capital of voivodships and in factories and institutions. Every citizen had an opportunity to make suggestions concerning improvement in market supplies, to point out shortcomings, and to point out those responsible for this state of affairs. In all, these boil down to the question: what is to be done so that the Poles live better and more prosperously?

development outlays

The Sejm and the PUWP Central Committee, at its fifth and sixth plenary meetings, decided on a move in industry and agriculture, consisting of a substantial increase of the outlays in the current quinquennium on the modernisation of farming and on investments in industries manufacturing marketables. True, this measure will limit the scope of investing in other sectors of the economy, but, with Poland ranking among the word's 10 most industrialised countries, it is time to step up consumption.

The plans envisage a 16-19 per cent rise in farm output over the current five-year period, with plant production growing by 22 per cent, since an increase in the cattle and pig population is not possible without a marked rise in the output of fodder.

a house for everyone

Market supplies will go up by at least 60 per cent. The output of many market ables, including furniture, will double. By 1990 or even in 1985 a total of seven million flats will be constructed, which means that every Polish family will have a flat of its own. In the 1976-1980 quinquennium one third of the total outlays on the development and modernisation of the national economy will be channelled to the market industries. At the same time, expenditure on the modernisation of agriculture will rise by 200 billion zlotys in comparison with the previous quinquennium.

The present manoeuvre, by no means, implies a swerve from the line mapped out by the sixth and seventh PUWP congresses, whose resolutions, while assuming an accelerated socio-economic development of Poland, aimed all economic endeavours at man, at a marked improvement of his working and living conditions. In accordance with this principle, pay rises averaging 40 per cent encompassed 12 million Poles, or all those who were employed.

The rises benefitted all Polish families, but they also had an effect on the market, to which additional money was channelled: This was in keeping with the expectations and needs of the Poles. Commenting on this fact, *Trybuna Ludu* the central PUWP organ, wrote: "In order for the rise in pays, benefits and other incomes of the population to be a real one, to provide groundwork for a further rapid improvement of the living standard, the growth in money incomes must be accompanied by a corresponding increase in market supplies. Therefore, the priority of the market must mean a supply of goods to the stores in excess of the influx of money into the market."

Unfortunately, the three successive years of bad harvests, the economic crisis in the west, which adversely influenced Polish foreign trade performance, the obsolete structure of prices for basic articles, which, in effect of the 1976 events, remained unchanged, the lack of social imagination displayed by many factory managers, who are more interested in general targets of production growth than in turning out sought-after products caused disturbances in market supplies.

lack of quality

Not all manufacturers paid adequate attention to the quality of their products; some of them gave preference to quantity. Despite statistical conformability, there emerged a divergence between the customers' needs and production. This is why in many storehouses there are heaps of shoddy or otherwise unsaleable products.

Some of the blame lies on trade, too. All too frequently conservative traders do not buy fashionable products of industry, lack of foresight in moulding the custumers' tastes, do not show adequate concern for advertising new products, There is ample room for improvement in the standard of customers' service, since it was felt for too long a time that, to be a sales clerk it is enough to be able to count money. Besides, considerable difficulties arise for trade from the scarcity of shop and storage space.

Improvement of cooperation between trade and the industries producing for the market was the topic of a national con-

ference of economic activists, held at the council of ministers office in late January, 1977. The conference was attended by premier Piotrjaros zewtz office in late January, 1977. The conference was attend- by premier Piotr Jaroszewicz, representatives of the PUWP, the United Peasant Party and the Democratic Party, and the concerned ministers.

Opening the discussion, minister of Home Trade and Services, Adam Kowalik, presentsd a list of 120 marketables in short supply. The shortage of most of them had no justification. As an example, there was shortage of potato starch, inspite of a good potato crop. Why it was difficult to buy a turtleneck sweater, when Poland had a modern knitwear industry?

These and other questions—this is a novelty in Poland—had to be immediately answered by producers, who were also expected to indicate as to what measures should be adopted to prevent recurrence of such situations in the future.

Obviously, conferences and decisions alone will not solve the problem. The implementation of these decisions, as premier Piotr Jaroszewicz stressed in his concluding speech, "must be carefully supervised by ministers and voivodes, and conclusions from this supervision must take on the form of propagation of good experience and elimination of shortcomings through assistance, distinction and encouragement as well as through economic sanctions and necessary personnel changes. Critical control of the implementation of tasks must exist in the entire economy."

There is urgent need for such control—in order to boost market supplies—over the factories formerly making up the so-called local industry, which turned out goods for the needs of consumers.

Some time back those small, poorly equipped factories were taken over by centrally-managed industries. The measure was intended to rapidly modernise them and increase their production. The effect of the change, however, was different from what was expected. Out of 39 factories, 25 abandoned production for the market, assuming an auxiliary role with respect to industries in which they had been incorporated.

With a view to ensuring a more rhythmical pace of supplies, the government decided that in the first quarter of 1977 all branches must supply to trade 25 per cent of their yearly output. At the same time, the government, despite investment restrictions, envisaged a reserve fund of 10 billion zlotys for the most urgent needs of the market industries, having in view an increase of production and a widening of the range of manufactured articles. Also more money will be allotted for bonus and rewards for persons employed in the production of marketables. The general principle that good work deserves ample remuneration will find an especially broad confirmation in this case. This principle is the key to releasing new energies, to better work. It corresponds with the interest of every citizen and with the interest of state. It should speed up the process of improving market supplies, which, as one of the commentators remarked, is a yardstick by which all economic endeavours and successes are measured in Poland.

There is also widespread belief that the situation in the market determines the moods of the society as well as the careers of those directly responsible for meeting the customers' needs.

Handicrafts in a planned economy

Andrzej Zawarczynski

Acknowledging the role of handicrafts in the Polish economy in shaping a rational consumption model, the government has set in a programme for the development of services and market production during 1976-80, which provides full utilisation of handicrafts in the state undertakings and improvement of services for the people.

THE SIXTH PUWP Congress created, favourable conditions for the development of handicrafts in Poland, recognising them as a durable and socially useful component of the national economy. This was reflected in the stabilisation of their legal status, above all, by the Sejm law of June 1972 on the practicing and organization of handicrafts. At the same time, a number of economic factors were set in motion to encourage the development of socially useful activity by handicrafts. In effect, the share of handicrafts in the total value of services for the population in 1975 surpassed the 50 per cent mark, thus playing an important part in industry and building services. The economic potential of craftsmen's shops, however, was not fully exploited, with reserves running as high as 30 per cent of handicrafts' servicing and production capacity in effect of investment and price barriers, discouraging taxation and inadequate supply of materials and equipment.

Taking notice of this situation, the political bureau of the PUWP Central Committee, the Presidium of the Democratic Party's Central Committee and the government Presidium, at a joint meeting on November 4, 1976, examined and adopted a programme for an accelerated development of services and handicrafts in 1977 and up to 1980. The Sejm approved the government programme and passed the necessary amendments to the laws concerning handicrafts. These decisions reaffirmed the position and function of handicrafts in Poland's planned socio-economic development and provided handicrafts with means and possibilities for the maximum utilisation of the existing reserves and for stepping up development.

The programme for the development of services and market production by handicrafts during 1976-1980 provides for the full utilisation of handicrafts in state undertakings aimed at a rapid and substantial broadening and improvement of services for the people and the production of marketables. The programme acknowledges the role of handicrafts in shaping a rational consumption model and recognises the economic necessity of craftsmen's shops, which are able to react

swiftly and flexibly to the phenomena occuring on the market.

The goals set by the programme call for doubling the value of services and production of goods for the domestic market by handicraftsmen. By 1980 the total value of those services and production should surpass 80 billion zlotys.

To fulfil these tasks, it is necessary to develop the network of craftsmen's shops, whose number should rise up to 220,000. Employment in handicrafts should grow up to 515,000 persons (including the owners and the 70,000 apprentices), which means a 40 per cent increase on the 1975 figure. The principal assumption of the development of craftsmen's shops is to bring them nearer to the customers, in town and country alike. Special emphasis will be laid on the expansion of services in short supply.

In the development of market production by handicrafts the attention will be focused on meeting the demand for food articles (bakery goods, low-priced pluck products, non-alcoholic beverages, smoked fish) as well as building materials, childern's clothes, furniture, lighting equipment, smail household items, car accessories, souvenirs, jewellery and artistic articles. At the same time, handicrafts will continue to execute auxiliary jobs for state and cooperative economic units.

foreign trade

The export activity of handicrafts will be further developed and improved by the granting of the right to the "Remex" enterprise to deal direct with foreign customers which so far was concerned with the organisation of export deliveries, and has now aquired the status of a foreign trade company.

The targets and lines of handicraft activity laid down in the programme are supported by far-going tax facilities and increased allotments of production materials and technical equipment which will help to modernise craftsmen's shops and improve their operation. As regards taxation, the programme has outlined the directions of major changes beneficial to craftsmen, reflected in amendments to the tax laws which eliminate the hitherto obstacles to the development of handicrafts and strengthen a sense of stability. At the same time better conditions have been created for the continuity and efficiency of work of craftsmen's shops by lifting the restrictions relating to the employment of workers and by ensuring a greater influx of personnel to handicrafts. A major factor of strengthening the social rank of a craftsman's occupation is the new law which gives craftsmen and their families the same rights to social security benefits as enjoyed by the workers of the socialised sector of the economy.

progressive form

The development of handicrafts and the implementation of the programme will be supported by the broadning and improving the activities of craftsmen's cooperatives which harmonise individual and group interests with the needs of society at large on the basis of the national socio-economic plan and constitute an active, progressive form—a form corresponding with the realities of economic policy—of collective co-management and a new social discipline in handicrafts.

The basic premises of the programme include the attainment of the relatively high increase of labour productivity of 40 per cent through, among other things, a more effective and fuller utilisation of technical equipment, the area of workshops and the labour employed. All measures provided for in the programme are evidence of the state's consistent policy designed to activate handicrafts and of confidence in craftsmen and their organisation at the same time, they impose definite obligations on all Polish craftsmen. Implementation of the government programme will result, next to quantitative effects, in improvement of the quality of work of craftsmen's shops. This quality will be determined by the attitude, efficiency and honesty of craftsmen, their self-government and activists of their organisations as well as by the vigorous development and support of the activity of handicrafts, in accordance with the programme, by local authorities and administrative bodies.

For handicrafts and their local self-government organisations this means, above all, the striving for technical modernisation and modernisation of the production and servicing structure of craftsmen's shops and for increased concern for the observance of the principles of professional ethics by craftsmen. To achieve this, it is necessary to steadily improve the skills of craftsmen and to step up the social supervision by self-government bodies over craftsmen's shops with a view to protecting customers' interests.

An appraisal of the feelings and attitudes of local handicraft activists was carried out during the preparations for the second national congress of delegates of the Central Union of Handicrafts which was held in Warsaw on February 21-22, 1977, justified the belief that the tasks and conditions introduced by the programme satisfied all craftsman and corresponded with their ambitions. It can be hoped that these positive feelings and attitudes will be further strengthened by the issuance—as recommended by the programme—of a Charter of Rights and Duties of Craftsmen.

employment potential

At present, the contribution of handicrafts accounts for 2.6 per cent of the national income, and 3.8 per cent of employment outside agriculture. This potential will be developed only within socially justified dimensions. The employment in handicrafts now totals about 200 thousand. Together with members of craftsmen's families and workers and apprentices, about one million people derive means of subsistence from work in handicrafts. An overwhelming majority of craftsmen practice their trades with passion, talent and honesty and display patriotic and civic attitudes—the traditional characteristics of Polish craftsmen. No mean a measure of their engagement in civic service is, next to their daily work, the vast and active participation in social initiatives, from numerous local campaigns and foundations to multi-million contributions to the National Health Protection Fund and for the reconstruction of the Warsaw Castle, in which craftsmen have done—without remuneration—many jobs requiring specialised skills. This is one more premise justifying the acknowledgement expressed in the decisions of the supreme political and state authorities of the social and economic usefulness of handicrafts in Poland.

MOVING FINGER

The Janata government at the centre has been distributing loaves and fishes for some time now. An inherently messy job is being done on the whole with a certain degree of tidiness. Nevertheless misgivings are in order. Take, for instance, the choice of Mr N. A. Palkhivala as our next Man in Washington. Not that Mr Palkhivala would not fill the bill, although I could certainly think of half-a-dozen or so of other men who could do it better; Piloo Mody, for instance. My objection is that only on June 20 the government set up a committee of experts, with Mr N.A. Palkhivala as chairman, to examine and suggest legal and administrative measures for the simplification and rationalisation of the direct tax laws.

On that occasion I did a script for the "Spotlight" feature of All India Radio, welcoming Mr Palkhivala's nomination for the chairmanship of the committee as an ideal decision on the part of the government. I said this sincerely because I believed fully that it was so. I felt then and I feel now that his philosophy of taxation could be of immense service to the citizen, the government and the community in sorting out the rights and obligations of the taxpayers and the powers and responsibilities of the tax administration. That the constitution of committee with Mr Palkhivala as its chairman has aroused great expectations in the nation cannot of course be doubted. In the circumstances it is rather disturbing that Mr Palkhivala should have been offered and he should have accepted an assignment which must necessarily come in the way of his labours on behalf of this committee.

It is being said that, although Mr Palkhivala will be taking up his duties as ambassador to the United States in the near future, he would not be relinquishing his chairmanship of the committee since he seems to be confident that he could discharge his obligations to this committee by periodically shuttling between Washington and New Delhi or Bombay and making himself available for the business of the committee. Nobody can honestly argue that this would be a proper arrangement. In any case an unfortunate impression has been created that neither the government nor Mr Palkhivala has hesitated to make a convenience of the committee.

Talking of committees or committee chairmen, I venture to suggest, even at the risk of being misunderstood that the selection of Mr B. G. Verghese to head an eleven-member working group to study the question of converting *Akashvani* and *Doordarshan* into autonomous institutions shows a lack of judgment on the part of those who took the decision.

Mr Verghese no doubt could have made a useful member of a body of this kind, but there is nothing in his professional or other background to suggest that he is specially qualified to guide the deliberations of this working group from the key position of chairman. I am not saying that a well-written paper will not be produced by the panel, but the issue whether *Akashvani* and *Doordarshan* should remain central government departments or be constituted into autonomous corporations, if it is at all to be treated as an open question, cannot be authoritatively settled or rendered advice on by a panel or a committee unless that group has clear claims to specific knowledge and experience on the subject it is required to study.

Moreover apart from the panel's chairmanship, its composition as a whole has obviously not inspired much confidence. It has been complained, for instance, that people with practical experience of the problems or working of the institutions concerned are conspicuous by their absence. I may perhaps add that, if and when another press council is constituted, Mr Verghese, in my opinion, would rank high among those who could be considered for its chairmanship, for his qualifications would be highly relevant to that post. But, then, he may choose to keep himself free for a much more active role in public life.

In any case, the prevail- ing wisdom seems to be that the chairman for a press council should be chosen, as was the case before, from a roster of retired judges of Supreme Court or from among those qualified to be appointed to the bench of the Supreme Court. The argument is that, since the functioning or the proceedings of a statutory press council would necessarily have to be quasi-judicial, the chairman should be a person with a judicial background and judicial temperament. The supposition that an ex-judge of the Supreme Court would necessarily make an ideal chairman of a press council appears to have been somewhat enfeebled by a letter which the then chairman of the now defunct press council wrote to the then minister for Information and Broadcasting, Mr V.C. Shukla, on August 13, 1975. This letter, which has been reproduced in the White Paper on "Misuse of Mass Media During the Internal Emergency" is given below without comments :

"You remember I spoke to you about the desire of some members to have a meeting convened for the purpose of discussing the Emergency and the Censorship. I had an informal meeting of the Delhi-based members and I was able to convince them that this is not necessary or desirable. So this will not figure in the agenda of any meeting that is being called."

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TRADE WINDS

Minimum Bonus

THE UNION cabinet on August 18 decided to restore the minimum bonus of 8.33 per cent which existed before the Bonus Amendment Act came into force in 1975. The minimum bonus will be paid irrespective of the fact whether an establishment made a profit or not, during the accounting year 1976. However, employers and workers can enter into a bilateral agreement for payment of bonus on a formula different from that of the Payment of Bonus Act, but it should adhere to the minimum and maximum limits of bonus at 8.33 per cent, and 20 per cent respectively. Making the announcement at a press conference after the cabinet meeting, Union Labour minister Ravindra Varma stated, that to ensure that loss making units are not unduly burdened by the incidence of minimum bonus, resulting in their becoming sick, provisions of Section 36 of the Act for grant of exemption may have to be resorted to. Guidelines for this purpose will be worked out.

The total quantum payable to the workers as a result of this decision has been estimated at about Rs 250 crores—a part of which had perhaps, been already paid by many industrial establishments as advances. The government however desired that increasing emphasis must be placed on promoting agreements for payment of bonus related to increases in production or productivity. Mr Varma said that investment allowance would be included as an element of prior charge in the determination of available surplus and employees of banking companies and Industrial Reconstruction Corporation of India would be brought again within the purview of the bonus law. Employees of non-competitive public sector establishments like Coal India, HAL, ITI etc, would be paid an ex gratia payment on the same basis as in the Bonus Act. These decisions, he said, would apply to the accounting year commencing on any day in 1976 and necessary amendments to the law would be made soon.

Prime minister Morarji Desai called upon the working class to invest the maximum possible amount, out of their extra earnings from CDS repayments and bonus restoration in national development bonds and thus help in containing inflationary pressures. In an appeal broadcast through the network of All India Radio and Doordarshan, Delhi, the prime minister cautioned that if they did not do so, it would only lead to a further spurt in prices, neutralise their own monetary benefits and harm the economy.

Committee on Direct Taxes

Mr N. A. Palkhiwala has been appointed as the ambassador of this country in the United States. An eminent expert in law, he heads a committee to examine and suggest legal and administrative measures for simplification and rationalisation of the direct tax laws and such further alterations "as are desirable in the interest of the national economy". Other members of the committee are: Mr. C.C. Chokshi, Mr Harnam Shankar, Mr C.C. Ganapathi and Mr T.S.R. Narasimhan. The committee will : (a) Recommend measures to simplify and rationalise the laws relating to income-tax, surtax, wealth-tax, gift-tax and estate duty, and to alter those laws with a view to making them readily comprehensible to taxpayers, reducing litigation and thus subserving the interest of the national economy; (b) suggest ways and means of improving the administration of those laws and expediting assessment, appellate and other proceedings under those laws; (c) examine the advisability of consolidating the four laws relating to income-tax, sur-tax, wealth-tax and gift-tax into one act; (d) prepare drafts of the bills for being presented before parliament.

The committee will submit its report and the draft bill to the ministry of Finance by December 31.

Loan from Japan

Japan has extended a commodity loan of 20 billion yen (equivalent to Rs 66 crores at the current exchange rate) to India for 1977-78. Notes on the loan were exchanged between Japanese Ambassador, Takashi Suzuki and the additional secretary, Department of Economic Affairs, Mr R.N. Malhotra. The commodity loan is part of the seventeenth yen credit, the other part of which would go for project loan. The commodity loan will be utilised for imports of a wide range of goods including machinery and spare parts as well as machinery and equipment for the third phase of the Bombay High offshore development project. Japan has doubled the commodity loan to 20 billion yen this year to make up for the non-availability of debt relief which India had been getting from the consortium countries for several years. The commodity loan will carry an interest of 3.5 per cent and will be repayable over 30 years inclusive of a grace period of 10 years. The loan will be untied in favour of procurement in developing countries and will be used to cover payments in respect of imports of goods and services also from developing countries. The project loan for 1977-78 is under negotiation between the two governments.

5-Year Development Bonds

The government has announced the issuance of a new series of national development bonds. Carrying a simple interest of 13 per cent, they will mature in five years. The bonds, Finance minister, Mr H. M. Patel told newsmen, will be issued in the denominations of Rs 10, Rs 100 and Rs 500. A Rs 100 bond will fetch Rs 165 to the investor on maturity. The interest earned will be liable to tax but will qualify for exemption under Section 80L of the Income Tax Act. The tax will not be deducted at source.

The bonds will be issued through all post offices and branches of nationalised banks. Since the printing of bonds will take a little time, the receiving offices will issue a provisional receipt to the investor. Mr Patel said, the bonds were a part of the small savings scheme, but this new series was issued now in order to channel the savings of the workers and employees into the national development effort.

He said, the Janata govern-

ment had redeemed its election pledges by terminating the compulsory deposit scheme, deciding to pay the second instalment of CDS and by restoring the bonus. All this meant a substantial increase in the flow of money and it would have undesirable consequences unless a good part of the accrual to the workers and employees was directed to investment in savings. He expressed the hope that the workers would realise that it was in their interest if inflationary pressures could be avoided.

Bank Advances

The union Finance ministry has asked the nationalised banks to ensure that 60 per cent of the deposits collected in their rural branches are given back as advances in those areas themselves. This point was stressed by the union Finance minister, Mr H.M. Patel, during his discussion with bank chiefs recently. As for the security requirement for advances to agriculturists, it was pointed out that banks already were giving advances for agricultural inputs without any security once they were assured that the creditor had the land to use those items profitably.

Sharecroppers

Problems arise with share croppers and the like who do not own land nor have always any firm agreement with the landlords on the sharing of the crop. Representatives of some of the banks based in the eastern region, for instance, pointed out that the sharecroppers are often not protected by any agreement or enactment on their share of the harvest. It was emphasised that a system should be evolved whereby at least 75 per cent of the yield should go to the sharecroppers and they should also have a right to till the land.

Excise Relief for Glass Units

The government has allowed full exemption of the excise duty to glass and glassware produced by mouth-blown units, and partial relief to the extent of 20 per cent of the duty leviable to semi-automatic units. The step, according to the press note has been taken to help the "mouth-blown" and "semi-automatic" units engaged in the manufacture of glass and glassware. These units have been facing difficulty in marketing their products.

Rapeseed Oil Prices

The government has decided to reduce the price of rapeseed oil by Re 1 per kg under a scheme that has been in operation to distribute refined imported rapeseed oil at an end-consumer price of Rs 8.50 per kg. According to a press release issued recently, the state governments have been asked to extend the scheme to smaller towns and even villages subject to the condition that the oil would be retailed only through licensed fair price shops. The scheme is being implemented through the state civil supplies agencies. Initially, the scheme was confined to high-consumption centres of one million population and above. Subsequently, it was extended to towns with the population of 400,000 and above and municipal corporations. The scheme has been in operation in Maharashtra, West Bengal, Uttar Pradesh, Andhra Pradesh, Rajasthan, Assam, Jammu and Kashmir and Delhi. On a review of the working of the scheme, it was felt that if the prices were reduced to 7.50 a kg. it would give a sense of relief to the consumer. Such a step would increase the quantum of imported oil being put into the market which would have a further sobering effect to absorb this differential of Re 1 a kg. This subsidised scheme came into operation on August 25, and would continue till the end of the year. The stocks that the state government agencies may have on August 25 for which they have paid at the present price, would also be eligible for the subsidy of Rs 1000 a quitnal.

PEC

As against exports valued at Rs 28.58 crores in 1975-76, Projects and Equipment Corporation of India Ltd (PEC) saw its exports rise to Rs 40.14 crores in 1976-77—a growth of over 40 per cent. The year saw an increasing value of exports of non-canalised items which went up from Rs 16.66 crores in 1975-76 to Rs 30.76 crores in 1976-77.

Exports to general currency area increased from Rs 14.85 crores in 1975-76 to Rs 28.07 crores in 1976-77. Share of sales on cash basis as against deferred payments also went up to Rs 28.93 crores in 1976-77 as against Rs 12.46 crores in 1975-76. The percentage of exports on cash basis was 43.6 per cent of the total exports in 1975-76 and 72.2 per cent in 1976-77.

Efforts were made to project the industrial image of the country to potential buyers abroad and with this object in view, PEC took part in a number of trade fairs, exhibitions and buyer-seller meets in other countries, the notable amongst them being trade fairs at Poznan, Tehran, Baghdad, Plovdiv, Suva, Dakar, Algiers, Cologne, Leipzig, Indian Exhibitions at Hong Kong, Singapore and Kuala Lumpur and buyer seller meets at New York and Los Angeles.

The significance of last year's performance lay not only in the quantum of exports but also in the fact that break-through were achieved in exports of sophisticated items like machine tools to new markets. Amongst these are some specially developed tools and machine tools for the USA, Jordan oilseals for the USSR; tyre and tubes for Turkey, hand tools to East European countries and Australia. West Asia continued to be a major market although fresh markets were tapped and are still being developed in East European countries, EEC, west, north and east Africa, the USA and Latin America, Australia and South East Asia.

PEC exported coaches, diesel and steam locomotives and wagons to different parts of the world including Tanzania and Malaysia. Fresh orders have been won from Uganda, Ceylon, Zambia, Tanzania and an old order from Iran which was suspended and has been resurrected. Competition in this field is increasing and developed countries such asJapan and the UK are once again competing fiercely even for wagons, using their massive credit facilities as a very effective bargaining point.

Jute Credit Liberalised

The Reserve Bank has liberalised the flow of bank credit to the jute industry. It has asked banks to waive the 10 per cent hike in margins, prescribed in January for sick-prone jute mills. In deserving cases, banks are allowed to bring down the margins further. Banks should, however, ensure that any additional credit provided should be related to additional produc-

tion and not merely finance the cash losses incurred by the borrowers. Another major concession is that banks are to "consider sympathetically" requests from jute mills for credit facilities against subsidy receivable from the government on export of certain jute goods. The RBI has also advised banks to consider reassessing the working capital limits for jute mills with a view to providing credit facilities on the merits of each case, keeping in view their viability and genuine requirements of production.

At the same time, banks are asked to take note that many jute mills are at present financing a "substantial" part of their requirements through trade credit. Banks should, therefore, ensure that any additional credit facilities provided do not lead to double financing and that there is an equivalent reduction in trade credit obtained by the borrowing unit. The Reserve Bank has emphasised that to enable banks to assess the credit requirements of mills on a "realistic" basis, the borrowing units should provide without delay full information required by banks for processing loan applications. Banking data show that the outstanding bank credit at the beginning of April 1977 was Rs 120 crores, registering an increase of Rs 10 crores over the previous 12 months.

Rupee-Rouble Talks

A four-member Indian official team went to the USSR on August 15 for talks with Soviet authorities on rupee-rouble exchange rates. The team is led by Manmohan Singh, secretary, Economic Affairs of the Government of India. Other members of the delegation are Alfred Gonsalvez, joint secretary, Economic Affairs, Mr R.M. Honaver, economic adviser to the government and Mr Janakiram of the Reserve Bank. This is the fourth round of talks which were initiated in 1975 in the wake of international monetary crisis when rupee-rouble exchange rate began fluctuating sharply.

New TELCO Vehicles

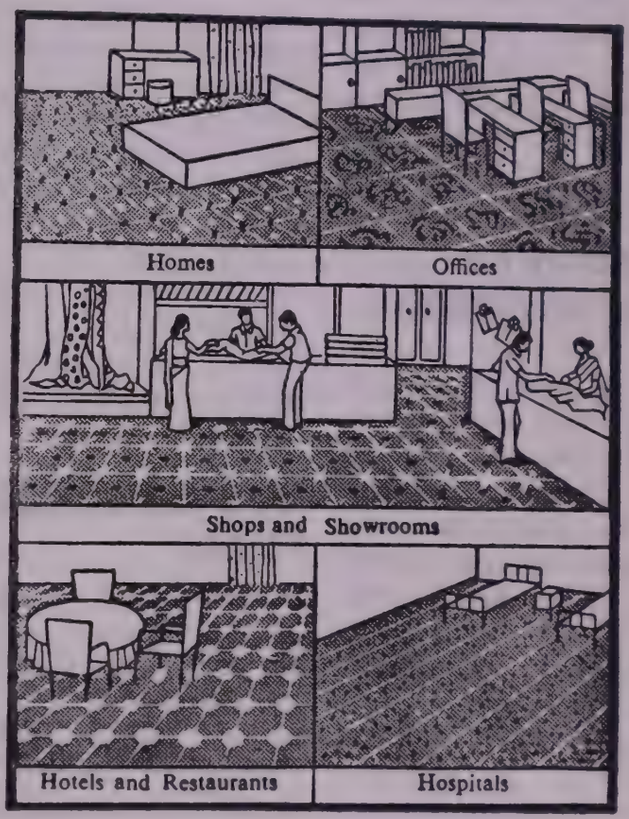
Tata Engineering and Locomotive Company has introduced a new Tata 1210 HE series of commercial vehicles. The new 121 HOE series is the only indigenously manufactured commercial vehicle with a warranty for 64,000 km. The new 12-tonne capacity vehicle has several internal innovations and engine improvements. It is far more economical and durable than the present model, has a stronger rear axle, a fail-safe breaking system and requires oil change only every 9,000 km. TELCO has so far exported nearly 15,000 vehicles to 44 countries. Last year 2,000 trucks were exported.

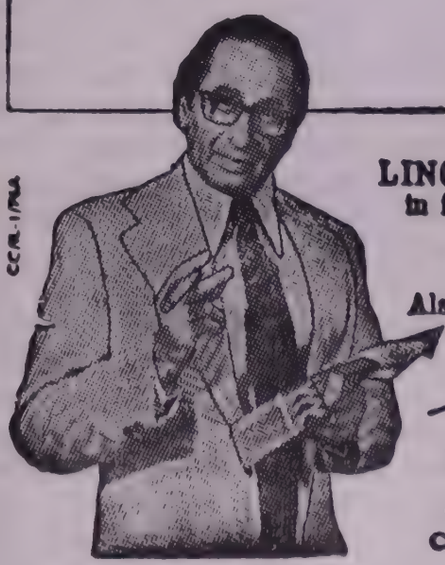
Committee on AIR and TV

A committee has been appointed—headed by Mr B.G. Verghese—to recommend the future set-up for All India Radio and Doordarshan. Mr L.K. Advani, the Information and Broadcasting minister, had repeatedly stated the government's intention to make these two institutions autonomous corporations. Before taking a decision the government would obviously like to have an expert opinion on the subject. Other members of the committee are Mr Chanchal Sarkar, Mr Umashankar Joshi, Mr V.G. Rajadhyaksha, Dr Malcon Adiseshiah, Mr P.L. Dheshpande, Mr A.G. Noorani,

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Prof J.D. Sethi, Mr P.J. Fernandes, Mr C.R. Subramaniam and Dr Ishawar Dass (member-secretary).

Report on News Agencies

The committee on news agencies submitted its report recently to the minister for Information and Broadcasting, Mr L.K. Advani. Mr Advani described the report as the result of painstaking efforts and said, the government would attach great value to it. This is the first study group on news agencies and its work was thus significant. The committee, headed by Mr Kuldip Nayar, was appointed by the Janata party government in April.

World Bank on Import Substitution

The World Bank has cautioned this country against its "strong" bias towards import substitution as that will have serious implications on industrial costs, international competitiveness and export performance. The Bank is also concerned that this process of achieving self-sufficiency through import substitution has occurred in agriculture inputs, and especially in foodgrains. A latest report prepared by the Bank on "India's export performance, policies and prospects" also notices several weaknesses in India's industrial structure affecting exports. These weaknesses relate to formal or informal curbs on large firms' expansion, fragmentation of industries into small units and making them difficult to achieve economies of scale, curbs on foreign collaboration and import of technology; controls on prices of inputs and ban on import of whatever produced in this country, a protected domestic market, lack of proper designs and technological development, and high cost of raw materials.

On the controversial issue of canalisation of import through state trading agencies, the Bank has reiterated the repeated complaint of Indian industrialists. The report says: "Canalisation of import through state trading agencies seems frequently to have imposed delays, and raised costs". As a result of the strong bias towards import substitution, India, the report concludes, has a "relatively closed economy and an increasingly unspecialised industrial sector. It has also an administred and highly bureaucratic system." Apart from an "overriding" emphasis on the development of the public sector, notably "heavy" industry, there has also been only slight concern with the concept of economic efficiency in selection of what to produce and export.

ITDC Restaurant in Prague

The state-owned India Tourism Development Corporation has secured the first overseas consultancy contract for setting up an Indian restaurant "Mayur" in Prague (Czechoslovakia). A formal agreement to this effect was signed recently by Mr C.B. Jain, chairman and managing director, ITDC and Mr Pavel Trcka, Commercial Attache of Czechoslovakia in India. Under the contract the ITDC will be providing technical assistance for the setting up and running of the restaurant. It will also provide the designs, furnishing, cutlery, menus and graphic items as also the management personnel including a deputy chief of the restaurant, a hostess and two cooks. A see-through "Indian tandoor in a specially glazed cubicle will enable guests to see how roomali and tandoori rotis are made apart from other tandoor delicacies.

Coir Exports

India's exports of coir products witnessed a notable uptrend both in respect of quantum and value over the recent years. The exports of these items aggregated 44,537 tonnes valued at Rs 22.77 crores in 1976-77 as against 37,284 million worth Rs 19.35 crores during the preceding year. Thus while the quantity of exports registered an increase of about 7000 tonnes or 16 per cent, the value of exports rose by about Rs 34 million or 17 per cent over the corresponding figures for the year 1975-76. India exports a host of coir products including coir fibre and yarn, and mattings, rugs and carpets, ropes, coir and rubberised coir. The export hike was particularly noticeable in items such as coir mats, coir mattings and coir yarn, However, coir fibre, coir rugs and carpets, coir rope and curled coir could not share the rise.

Export of coir yarn amouted to 26,567 tonnes valued at Rs 10.5 crores during 1976-77 as against 22,970 tonnes worth Rs 10 crores in 1975-76 having recorded an increase of about 3,600 tonnes in quantity and Rs 50 lakhs in value. Notwithstandinig the drop in the unit value due to the abolition

DEPARTMENT OF ATOMIC ENERGY

DIRECTORATE OF PURCHASE AND STORES

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay invites tenders as detailed below:

1. DPS/HWP/PPF/634 due on 20.9.77. Supply of rupture discs as per purchasers' tender specification.
2. DPS/RRC/PPF/186 due on 20.9.77. Supply of carbon steel seamless and welded pipes as per purchasers' tender specification.
3. DPS/HWP/PPE/650 due on 26.9,77. Supply of seamless stainless steel pipes conforming to ASTM A 312 GR TP 316 as per purchaser's tender specification.
4. DPS/BARC/ENG/10432 due on 12.9.77. Chainlink netting for fencing, as per tender specification. 4500 meters.
5. DPS/HWP/PPF/652 due on 28.9.77. Supply of seamless stainless steel fittings conforming to ASTM A 403 GR. WP 316 as per purchaser's tender specification.
6. DPS/NFC/MTL/412 due on 30.9.77. High purity Magnesium Metal as per purchaser's tender specification. Qty. 150 M.T.
7. DPS: PPED:FAB: 297 due on 17.9.77. Manufacture and supply of following Ring Forgings as per ASTM-A-105 Gr. I.
   (a) 1215 mm ODx1066 mm ID x 65 mm thick Qty. 32 Nos.
   (b) 730 mm ODx602 mm IDx65 mm thick Qty. 4 Nos.
   (c) 900 mm OD x 778 mm IDx65 thick Qty. 8 Nos.
8. DPS/NAPP/PPED/PPF/65 due on 28.9.77. Supply of carbon Steel bends and elbows as per purchasers' tender specification.
9. DPS/NAPP/PPED/PPF/66 due on 29.9.77. Supply of electric fusion welded carbon steel pipes as per purchasers' tender specification.
10. DPS:RRC:FAB: 193 due on 29.9.77 Preparation of shop drawings, procurement of material, manufacture, shoptesting, inspection assembly, supply, crating, guarantee and delivery to Reactor Research Centre, Kalpakkam of Gas Storage Tank as per purchaser's Tender document. Qty. 1 No.

Tender documents priced Rs 15 for items 1 to 4, Rs 20 for item 5 Rs 25 for items 6,7; Rs 50 for items 8,9: Rs 100 for item 10 can be had from the Finance and Accounts Officer, Department of Atomic Energy Directorate of Purchase and Stores, 3rd floor, Mohatta Building, Palton Road, Bombay-400001 between 10 a.m. and 1 p.m. on all working day except on Saturdays. Import Licence will be provided only if the item are not available indigenously for all items except items 7,10. Tender will be received upto 3 p.m. on the due date shown above and will b opened at 4 p.m. on the same day. The right is reserved to accept o reject lowest or any tenders in part or full without assigning any reasons General conditions of contracts can also be had @ paise 50 for all item except item 7. 10.

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of export duty effective from July 18, 1976, the value realized from export of coir yarn has increased by about Rs 50 lakhs. The export to almost all traditional markets in east Europes increased during the year. The export of coir mats also was promising during the year, having registered an increase of about 21,000 tonnes in quantity and Rs 1.72 crores in value from Rs 5.62 crores to Rs 7.34 crores.

Cases in Management

'Cases in Management,' a Tata McGraw-Hill publication, compiled by Mr Francis A. Menezes, director of the Tata Management Training Centre in Pune, was released on August 10 by Mr. J.J. Bhabha, chairman of the publishing company, at a function in Bombay House, Bombay.

Coincidentally, this is the 100th original title to be published by the Tata McGraw-Hill Publishing Company.

Cases in Management represents a growing trend towards a more systematic study of the management processes by the discovery and analysis of cases. It marks the significant progress made in learning about new situations, and the author records actual discoveries of managers and management educators.

BHEL Equipment for Paper Projects

The Bharat Heavy Electricals (BHEL) will supply heavy electrical equipment worth Rs 23 crores for the two paper and pulp projects being set up by Hindustan Paper Corporation at Nowgong and Cachar in Assam. A contract to this effect has been signed between the Hindustan Paper Corporation and the BHEL. The supply will consist of power boilers, recovery boilers and turbogenerator sets. The two projects having a capacity of one lakh tonnes each are scheduled to be commissioned by 1980-81.

Names in the News

Dr R.M. Lall, chartered accountant, has been nominated a director of the Reserve Bank of India for northern area for a period of four years.

Dr Esso John, managing director, Madras Fertilizers, has been reelected chairman of the southern region of the Fertilizer Association of India.

Mr K.P. Hormis, chairman Federal Bank Ltd, Alwaye, was elected president of the Kerala Management Association. **Dr P. K. Narayanaswamy**, chairman and managing director, FACT is first vice-president and **Mr S. G. Sundaram**, chairman, Cardamom Board and MPFDA is second vice-president. **Mr A.S. Siva**, branch manager, F.D. Steward is the secretary.

The Textile Institute, Manchester, an international professional body of textile technologists all over the world, has awarded the Institute's Medal to Indian Textile Technologist, **Mr J.G. Parikh**. He is the director of the Silk and Art Silk Mills' Research Association (SASMIRA), Bombay, and has been honoured for his distinguished services to the man-made fibres and textile industry and technology.

New Union Ministers

The President has, on the advice of the prime minister, directed that the allocation of portfolios of the ministers of state will be as follows:

1. Mr S.C. Agarwal, minister of state in the ministry of Finance.
2. Mrs Renuka Devi Barakataki, minister of state in the ministry of Education, Social Welfareand Culture.
3. Mr Arif Beg, minister of state in the ministry of Commerce, Civil Supplies and Cooperation.
4. Mr Chand Ram, minister of state in charge of the ministry of Shipping and Transport.
5. Mr Krishna Kumar Goyal, minister of state in the ministry of Commerce, Civil Supplies and Cooperation.
6. Mr Dhanna Singh Gulshan, minister of state in the ministry of Education, Social Welfare and Culture.
7. Mr Ram Kinker, minister of state in the ministry of Works and Housing and Supply and Rehabilitation.
8. Mr S. Kundu, minister of state in the ministryof External Affairs.
9. Miss Abha Maiti, minister of state in the ministry of Industry.
10. Mr Dhanik Lal Mandal, minister of state in the ministry of Home Affairs.
11. Mr Janeshwar Mishra, minister of state in the ministry of Petroleum and Chemicals and Fertilizers.
12. Mr Karia Munda, minister of state in the ministry of Steel & Mines.
13. Mr S.D. Patil, minister of state in the ministry of Home Affairs.
14. Mr Fazlur Rehman, minister of state in the ministry of Energy.
15. Mr Larang Sai, minister of state in the ministry of Labour and Parliamentary Affairs.
16. Mr Narhari Prasad Sukhdeo Sai, minister of state in the ministry of Communications.
17. Mr Sheo Narain, minister of state in the ministry of Railways.
18. Mr Sher Shingh, minister of state in the ministry of Defence.
19. Mr Bhanu Pratap Singh, minister of state in the ministry of Agriculture & Irrigation.
20. Mr Jagbir Singh, minister of state in the ministry of Information & Broadcasting.
21. Dr Ram Kripal Sinha, minister of state in the ministry of Labour and Parliamentary Affairs.
22. Mr Jagdambi Prasad Yadav, minister of state in the ministry of Health and Family Welfare,
23. Mr Narsingh Yadav, minister of state in the ministry of Law, Justice and Company Affairs.
24. Mr Zulfiquarullah, minister of state in the ministry of Finance.

COMPANY AFFAIRS

Bajaj Auto

THE PRELIMINARY statement from Bajaj Auto on its working results for the year ended June 1977 shows an all-round improvement over the performance during the preceding 15-month period. The directors have proposed a dividend of Rs 14 per share against Rs 18 paid during the preceding 15-month period. Since the dividend is payable on the increased capital resulting from a one-for-one bonus issue, the total distribution is much larger at Rs 65.81 lakhs against Rs 42.31 lakhs in 1975-76.

Sales, including export incentives, at Rs 51.81 crores show an increase of 19.7 per cent over the 1975-76 figure of Rs 43.30 crores. With the gross profit up by 40 per cent from Rs 7.42 crores to Rs 10.43 crores, the ratio of profit to sales has improved from 17.1 per cent to 20 per cent. After providing Rs 1.64 crores (Rs 1.96 crores) for depreciation, Rs 43 lakhs (Rs 2 lakhs) for investment allowance and development rebate reserve and Rs 5.75 crores (Rs 3.47 crores) for taxation, the net profit amounts to Rs 2.61 crores against Rs 1.96 crores in the preceding 15-month period.

The company's production during the year 1976-77 has been higher at 100,111 scooters and 17,543 three-wheelers as against 83,860 scooters and 14,685 three-wheelers manufactured during 1975-76. This represents an annual growth rate of 49 per cent over the previous year. The company's export during 1975-76 were valued at Rs 3.42 crores against Rs 3.78 crores in 1975-76 representing an annual growth rate of 14 per cent over the previous year.

The company has received an endorsement on its industrial licence for the manufacture of 30,000 scooter ckd packs per year for Maharashtra Scooters Ltd, a company established in the joint sector in collaboration with Western Maharashtra Development Corporation Ltd, a corporation wholly owned by the government of Maharashtra. Maharashtra Scooters commenced production in August 1976 and has produced 14,584 scooters during the year ended June 30, 1977. The company is expected to come out with a public issue of equity share capital amounting to Rs 49 lakhs before the close of the current calendar year.

Garware Nylons

Garware Nylons has maintained the dividend at 15 per cent for the year ended March 1977. The gross sales are up by 14 per cent from Rs 26.05 crores in (1975-76) to Rs 29.61 crores (1976-77) and net sales by seven per cent, from Rs 15.81 crores to Rs 16.98 crores. The gross profit has declined from Rs 3.26 crores to Rs 2.04 crores. The ratio of profit to net sales has come down from around 20.6 per cent to 12 per cent. After providing Rs 1.24 crores (Rs 1.21 crores) for depreciation, nil (Rs 14.97 lakhs) for development rebate reserve, the net profit amounts to Rs 79.99 lakhs against Rs 1.90 crores in the preceding year. As in the previous year, the company does not expect any tax liability for 1976-77. The proposed dividend will absorb Rs 64.80 lakhs against Rs 1.90 crores in the preceding year.

Morarjee Goculdas

The Morarjee Goculdas Spinning and Weaving Co has reported satisfactory working for the year ended June, 1977. An equity dividend of 14 per cent, has been declared on the enhanced capital resulting from one-for-two bonus issue made during the year, against 20 per cent for the previous year. Gross sales have risen from Rs 27.91 crores in 1975-76 to Rs 32.84 crores in 1976-77. Gross profit increased marginally from Rs 222.63 lakhs to Rs 224.14 lakhs. After providing Rs 58.64 lakhs (Rs 64.56 lakhs) for depreciation, Rs 12.62 lakhs (Rs 6.19 lakhs) for gratuity, Rs 11.50 lakhs (Rs 3.50 lakhs) for investment allowance and Rs 64 lakhs (Rs 36 lakhs) for taxation, the net profit works out at Rs 77.38 lakhs (Rs 112.38 lakhs). After adjustments, a sum of Rs 15.04 lakhs has been transferred to general reserve. Equity dividend will absorb Rs 39.24 lakhs (Rs 37.38 lakhs) and preference dividend Rs 1.11 lakhs (same).

Despite several adverse factors such as high cotton prices, power cut, higher municipal taxes, controlled cloth obligation payment of about one crore rupees, and sluggish cloth market conditions in the first eight months of the year, the company has been able to maintain its gross profit, mainly due to popularity of its products, higher production of blended fabrics and constant modernisation. A rotary screen printing machine worth Rs 40 lakhs has been installed at the company's new processing house at Bhandup, Bombay.

Hindustan Everest

Hindustan Everest Tools Ltd, New Delhi has earned a net profit of Rs 14.84 lakhs during the year ended March 1977, against Rs 13.8 lakhs in the previous year, after providing Rs 5.74 lakhs for depreciation and Rs 2.80 lakhs for taxation. Total sales advanced by 37.9 per cent from Rs 182 lakhs to Rs 251 lakhs. The directors have proposed to raise the equity dividend from 10 per cent to 13 per cent. Production went up by 33 per cent from Rs 183 lakhs. Phase one of the modernisation and diversification programme of the company will be completed soon. Working in the current year is expected to be better. Fullest utilisation of the capacity will be ensured.

Gujarat Steel

Gujarat Steel Tubes has reported an all round improvement in its performance during the year ended March, 1977. Equity dividend has been raised to 15 per cent from 12 per cent and is covered nearly three times by the year's earnings. Sales have risen by 117 per cent from Rs 13.08 crores in 1975-76 to Rs 28.40 crores in 1976-77. Production rose by 90 per cent over the previous year. Exports of tubes also increased. Besides, 15 other engineering and plastic items were also exported mostly from small-scale units in the state.

The gross profit rose from Rs 45.06 lakhs to Rs 124.4 lakhs. After providing Rs 29.0 lakhs (Rs 21.03 lakhs) for dep

reciation, Rs 12.50 lakhs (nil) for investment allowance and Rs 5 lakhs (nil) for taxation, the net profit works out at Rs 77.85 lakhs (Rs 24.03 lakhs). Dividends will absorb Rs 27 lakhs (Rs 21.60 lakhs). General reserve gets Rs 50.85 lakhs. The stainless steel tubes division of the company's subsidiary, Neeka Tubes Ltd, is expected to go into production shortly.

Indian Tubes

During the year ended March 1977, the Indian Tube Co recorded sales of Rs 54.35 crores against Rs 54.92 crores in 1975-76. The working resulted in a loss of Rs 1.46 crores against the profit of Rs 1.93 crores in the previous year. After adjustments, there is a debit balance of Rs 1.29 crores, which has been adjusted against the general reserve number one. Last year, after providing Rs 1.22 crores from taxation and after making some adjustments, a sum of Rs 84.49 lakhs has been transferred to general reserve number two. Dividend has been passed over.

Though there were marginal improvements in both production and despatches from the continuous weld mill, the loss suffered on continuous weld products was appreciably more than the previous year. Production and despatches fell significantly in the electric resistance weld mill and seamless mill, both of which were undergoing rehabilitation, resulting in lower contribution from them than in the preceding year. The despatches from the company's works at Jamshedpur amounted to 90,287 tonnes of prime products against 100,813 tonnes in the previous year.

The modernisation of the seamless mills, with an increase in the installed capacity from 40,000 to 52,000 tonnes per annum taken up in 1975 has been completed. Production in the existing mill ceased from mid-June 1977 to enable it to be connected up with the new equipment. The project was expected to be commissioned this month.

Hindustan Organic Chemicals

Hindustan Organic Chemicals Ltd. has completed another year of progress and its performance in production, sales and exports this year has been remarkable. Production was 57,408 million tonnes in 1974-75, and had improved in 1975-76 to 65,756 million tonnes. This year there has been a further increase by more than 5 per cent with the level reaching 69,128 million tonnes and a better product mix. This increase has taken place despite the insufficient demand for certain chemicals such as acetanilide, formaldehyde, nitrobenzene and dinitrochlorobenzene. The production of these chemicals had to be limited to the market demand.

On the sales side, the company achieved a sales of 47,826 million tonnes of chemicals in 1976-77 as against 44,009 in 1975-76 and 40,656 in 1974-75. Thus, there is an increase of 8.7 per cent on the previous year's performance in terms of quantities. In terms of sales value, the achievement is still more commendable. As against a turnover of Rs 1402 lakhs in the year 1974-75 and Rs 1442 lakhs in 1975-76, the turnover in 1976-77 was Rs 1883 lakhs i.e. 30.6 per cent more than that of the previous year. This is a direct result of better product mix. The company has also demonstrated an increase in exports. In 1974-75, exports amounted to a meagre Rs 4.01 lakhs and in 1975-76, to Rs 5.69 lakhs. The actual exports this year, however, were Rs 51.68 lakhs. In addition to this, the company also serviced release orders at a negotiated price for a total value of Rs 34.29 lakhs. The company has earned a name for world class products and packaging.

The company expects to make a gross profit (before tax) of about Rs 325 lakhs during 1976-77. This compares favourably with the profit of Rs 254 lakhs made in the year 1975-76. This is in spite of making a provision of around Rs 50 lakhs for likely payment of arrears to labour in light of new labour settlement, which was effective from January 1, 1975.

The company had planned an ambitious expansion programme for which a capital outlay of Rs 14.64 crores has been approved by the union government in the fifth and sixth five year Plan periods. Feasibility studies for several new products have been undertaken with two objectives in view—to diversify the company's activities over the years, and to make the country totally self-sufficient in chemicals and derivatives so that India will be one of the major chemical manufacturing nations of the nature.

Simco Meters

Simco Meters Ltd, Tiruchirapalli, has earned a net profit of Rs 13.18 lakhs during the year ended March 1977, against Rs 9.27 lakhs, after providing Rs 5.02 lakhs for depreciation, Rs 11 lakhs for taxation, and one lakh rupees for investment allowance reserve. Sales advanced from Rs 230.78 lakhs to Rs 302.63 lakhs. The directors propose to transfer Rs 3 lakhs to preference share capital redemption reserve, Rs 3.92 lakhs to general reserve and Rs 40,000 to special reserve. The directors have proposed to maintain the equity dividend at 12.5 per cent which will absorb Rs 5.59 lakhs. The company has diversified the activities. It has supplied goods to the defence authorities. It has also plans to make high energy batteries needed by the defence service. The government approval has been received for this purpose. and a letter of intent has been received. The plant will be erected in technical collaboration with M/s Yardney Electric Corporation of the USA.

News and Notes

National Organic Chemical Industries has plans to undertake a massive Rs 110 crore expansion programme. This expansion is proposed to be undertaken at the company's present plant in Thane-Belapur area near Bombay for processing Bombay High associated gas. The company will make an application to the central government under the MRTP Act, 1969, shortly.

The company has been producing at present PVC resin, PVC compounds, 2-ethyl hexanol and normal butanol. The annual capacity is 20,000 tonnes of PVC resin (25 per cent of PVC resin produced is used in the manufacture of PVC compounds), 10,000 tonnes of 2-ethyl hexanol and 6,000 tonnes of normal butanol.

The company proposes to expand the PVC resin capacity by 60,000 tonnes (25 cent of which will be utilised for manufacturing PVC compounds), 2-ethyl hexanol capacity by 20,000 tonnes and the normal butanol capacity by 12,000 tonnes. The capital outlay on the proposed expansion programme of Rs 110 crores is to be met by raising additional

capital and internal accruals of Rs 35 crores and the balance of Rs 75 crores of rupees from foreign currency loans.

New Issues

Bhadrachalam Paperboards Ltd will enter the capital market on September 7, 1977 with an issue of 5.3 million equity shares of Rs 10 each and 50,000 (11 per cent) cummulative redeemable preference shares of Rs 100 each. The issue will close on September 20, 1977 or earlier at the discretion of the directors but not before September 9, 1977. The company has authorised capital of Rs 14 crores. The present issue is for nearly Rs 11 crores, out of which shares worth Rs 5.20 crores are proposed to be allotted to ITC Ltd (Rs 3.2 crores) who are the promoters, Wazir Sultan Tobacco Co (Rs 1 crore) and Andhra Pradesh Industrial Development Corporation (Rs 1 crore). Shares worth Rs 5.8 crores are being offered for public subscription. The entire issue has been underwritten.

ITC's printing and packaging operation is an important activity of the company. Therefore, the ITC had applied for a letter of intent to manufacture paperboard. One of the stipulations in the letter of intent was that ITC should establish a separate company for executing this project. The company has taken possession of land for setting up a modern integrated pulp, paper and paperboard factory in Sarapaka village in Kammam district of Andhra Pradesh. The process technology is entirely indigenous and there is no foreign collaboration. Major equipment plant and machinery are also basically indigenous. The principal product of the company is carton board for printing and packaging industry and in addition the company will manufacture paper at full capacity. The company's requirement of bamboo and hardwood are about 74,000 tonnes and 33,000 tonnes res-

Department of Atomic Energy

Directorate of Purchase and Stores

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay invites tenders as detailed below;

1. DPS/BARC/IEE/1228 due on 14.10.77. Ge (Li) Detector Cryostat Preamplifier System. 1 No.
2. DPS/BARC/IEE/1233 due on 17.10.77. Centrifuge 50 litres/ min & 250 litres/min. 1 No. each.
3. DPS/BARC/IEE/1234 due on 18.10.77. AC Servomotor—Generator —6 Nos.
4. DPS/BARC/IEE/1235 due on 17.10.77. Electro Magnetic Clutch—6 Nos.
5. DPS/BARC/IEE/1236 due on 17.10.77. Synchro Control Transmitters & Transformers of various quantities
6. DPS/BARC/IEE/1237 due on 18.10.77. 4K Multi channel Analyser with all standard facilities . . 1 No.
7. DPS/BARC/IEE/1242 due on 19.10.77. Mechanical Analytical Balance . . 1 No.
8. DPS/BARC/IEE/1244 due on 19.10.77. Standard Stainless Steel Filters for filtration of radioactive solutions.
9. DPS/BARC/MHD/IEE/8 due on 14.10.77. Multipen Recorder 6 Pen with accessories . . 1 No.
10. DPS/BARC/MHD/IEE/9 due on 14.10.77. Multipen Recorder 3 Pen with accessories . . 1 No.
11. DPS/RRC/IEE/312 due on 13.10.77. Pneumatic Thermostat Pressure Transmission and Pressure Switches in various quantities.
12. DPS/RRC/IEE/314 due on 18.10.77. Portable Dual Trace Storage Oscilloscope with accessories and Spares . . 1 No.
13. DPS/RRC/IEE/315 due on 18.10.77, Pneumatic type Delta—P Transmitters for purgemeters. 4 Nos.
14. DPS/PPED/IEE/63 due on 14.10.77. Current Repeater/Isolation Amplifier . . 48 Nos.
15. DPS/MAPP/EEQ/33 due on 7.10.77. Supply of Monoblock Induction Frequency Converter set for operation of Hicycle hand tools . . 1 No. as per specification.
16. DPS/BARC/MIA/10912 due on 12.10.77. High Frequency induction heater having power output 10 KW continuous. Frequency 400 to 450 KHz. Input 28KVA at 440 volts. 3 Phase AC, cooling by Water circulation complete with protective devices etc. Qty. 1 No.
17. DPS/PPED/MIA/462 due on 11.10.77. Design, manufacture, assembly, testing and delivery of Pneumatic Instruments viz. Transmitters, Controllers, Receivers, and Indicators. etc. Qty 22 Nos.
18. DPS/BARC/MTL/3969 due on 19.10.77. S.S. Square Bars with a central hole as per purchaser's tender specification. Qty. 125 nos. to 200 nos.
19. DPS/NAPP/PPED/PPF/68 due on 11.10.77. Supply of Seamless Stainless Steel Pipes as per purchasers' tender specifications.
20. DPS/RRC/CAP/238 due on 6.10.77. Preparation of drawings, manufacture, inspection and testing, guarantee, tropical packing and delivery of thermo fluid pumps alongwith motors, design capacity of each pump: 5.4m³/hr., as per purchaser's specification and drawing—4 Nos.
21. DPS/BARC/CAP/2592 due on 3.10.77. Aircooled condensing unit consisting of indigenous make open type compressor, air cooled fin and tube condenser with fan motor assembly, etc. capacity of condensing unit at 4.5° C suction and 43°C condenser temperature is 5 TR with type air handling unit complete with viscous metallic air filter section, damper section, etc., total quantity of dehumidified air to be handled 2,200 cfm, as per purshaser's specification 1 set.
22. DPS/BARC/PPF/2930 due on 6.10.77. Design manufacture, inspection, testing and guarantee of stainless steel valves of 50 mm & 100 mm sizes in 1500 LBS ASA Ratings as per purchasers' tender specn.
23. DPS/AMD/CAP/272 due on 17.10.77. Hydraulic transmission to couple the output shaft running at 350 rpm of a 1 h.p. (nominal) petrol engine to a borehole logging winch, as per purchaser's specification—3 Nos
24. DPS/NFC/CAP/468 due on 5.10.77. Side loader, capacity: 3000 kgs. load centre: 600 mm, material to be handled: finished tubes, as per purchaser's tender document. 1 No.
25. DPS/RRC/FAB/187 due on 12.10.77 Manufacture and supply of Forgings as per Purchaser's specification and drawings and as (1) Forging ...Qty—4 Nos. (2) Blank Flanges. Qty. 4 Nos.
26. DPS/NAPP/PPED/PPF/71 due on 13.10.77. Supply of Power Operated Diaphragm Valves as per purchaser's tender specifications.
27. DPS/BARC/FAB/140 due on 11.10.77 Supply of CF 8 grade (S.S.304 Castings conforming to ASTM specification A-351-65, suitable for components as per purchaser's drawings and specification. Qty. 575 Nos.
28. DPS/RRC/FAB/186 due on 11.10.77. Preparation of shop drawings supply of materials, manufacture, inspection, shop assembly, shop testing guarantee, crating and delivery at Fast Breeder Test Reactor Site, Kalpakkam of Special Flask No. 5 conforming to Purchaser's tender document and drawings. Qty. 1 No.
29. DPS/RRC/FAB/189 due on 12.10.77. Fabrication, supply and erection at Reactor Research Centre, Kalpakkam of Hot Cell Doors and Trolli complete in all respects as per Purchaser's specification. Qty. 5 Nos.
30. DPS/RRC/FAB/191 due on 13.10.77. Preparation of shop drawing supply of materials, manufacture, inspection, shop assembly, shop testing guaranter, crating and delivery at Fast Breeder Test Reactor Site, Kalpakkam of Material Airlock Bellows as per Purchaser's tender document Qty. 1 No.
31. DPS/RRC/FAB/190 due on 14.10.77. Supply of materials, preparation of shop drawings, manufacture, inspection, shop assembly, shop testing guarantee, crating and delivery at Fast Breeder Test Reactor Site, Kalpakkam of Canal Valve Assemblies as per Purchaser's tender document drawings. Qty: as per tender document.
32. DPS/BARC/EEQ/2764 due on 10.10.77. Supply of 750/1000 KV ON/OB 22 KV/433 V transformer...as per specification. 1 No.
33. DPS/RRC/CAP/243 due on 15.11.77. Supply, installation, testing and commissioning of airconditioning and ventilation system, as per purchaser tender document and drawings.

Tender documents priced Rs. 5 for item 15;, Rs. 10 each for items 3 5, 7, 9, 10, 16; Rs. 15 each for items 1, 17 to 19; Rs. 20 each for item 8, 1 14; Rs. 25 each for items 2, 11, 12, 20 to 23; Rs. 40 for item 6; Rs. each for items 24 to 26; Rs 100 each for items 27 to 32; Rs. 450 for ite 33, can be had from the Finance and Accounts Officer, Department Atomic Energy, Directorate of Purchase and Stores, 3rd floor, Mohat Bldg., Palton Road, Bombay-400001 between 10 a.m. and 1 p.m. on working days except on Saturdays for all items except for items 20, 21, 24, 33 for which tender documents available upto 30.9.77, 27.9.77, 12.10.7 29.9.77 and 10.10.77 respectively. Import Licence will be provided only the items are not available indigenously for all items except for items 1 16, 17, 25, 27 to 32. Tenders will be received upto 3 p.m. on the due da shown above and will be opened at 4 p.m. on the same day. The right reserved to accept or reject lowest or any tenders in part or full witho assigning any reasons. General conditions of contracts can also be had paise 50 for all items except items 25, 27 to 31.

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pectively. The Andhra Pradesh government has undertaken to supply 60,000 tonnes bamboo and 74,000 tonnes of hardwood respectively. The project is likely to involve an expenditure of Rs 29 crores, including items of plant and machinery which have already been ordered.

Mahindra Spicer Limited, formerly, Turner, Hoare and Company Limited) will enter the capital market on August 9, 1977 with a public offer of 20,060 equity shares of Rs 10 each at par. The entire issue has been underwritten, among other institutions, by The Industrial Credit and Investment Corporation of India Limited (ICICI), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI) and other reputed members of the stock exchange.

New Project

The company's new project at Nasik, is scheduled to go into commercial production in April, 1978. A significant feature of the project is that, of its estimated cost of Rs 256 lakhs, over 20 per cent will be financed by totally interest free funds of Rs 55 lakhs from the State Industrial and Investment Corporation of Maharashtra Limited (SICOM). Mahindra Spicer, at the new plant in Nasik, will manufaeture propeller shafts, axle shafts and universal joints for which the company holds a valid letter of intent. The industrial licence is expected to be issued immediately after the public issue as this is a precondition in the letter of intent.

The company has been manufacturing automotive clutches in collaboration with the former Clutch Division of the Dana Corporation, USA. These products are already original equipment on many vehicles manufactured in India, and have also been exported to the Netherlands and the USA. Dana, an internationally renowned automotive ancillary manufacturer, has agreed to provide technical knowhow on a continuing basis through its Spicer Universal Joint Division for the company's new project. No royalty is payable on domestic sales and no restrictions have been placed on exports for which Dana's worldwide selling capabilities are available to the campany.

The major shareholders of the company are Mahindra and Mahindra Limited (M&M) and Dana Corporation of the USA. The company proposes to raise the required capital of Rs 256 lakhs for the new project as follows: public issue—Rs 42 lakhs; allotment of equity shares to M&M—about Rs 15 lakhs, and to Dana—about Rs 28 lakhs; an eighteen-year interest free loan from SICOM—Rs 55 lakhs, Rs 116 lakhs through internal accruals, and a term loan from the Union Bank.

Diluting Equity

Indian Duplicator Co, formerly known as Gestetner Duplicators, proposes to issue some time in October, 780,000 equity shares of Rs 10 each at a premium of Rs 4 per share. Of this, 100,000 shares will reserved for firm allotment to financial institutions, 20,000 for directors, their associates and employees, and the balance 660,000 shares will be issued to be public. The issue will form a part of the company's approved composite scheme of dilution of foreign equity to 40 per cent and increase the paid-up capital from Rs 13 lakhs held entirely by non-resident shareholders to Rs 1.30 crores. The proceeds will be utilised for augmenting the working capital. Prior to the public issue, the company will issue bonus shares in the ratio of three new shares for every share held by capitalising Rs 39 lakhs from the reserves of Rs 2.38 crores. Thus after the raising of additional capital, the non-resident shareholding will be Rs 52 lakhs or 40 per cent of the total equity. The company has at present two factories, one in Calcutta and the other in Nasik (Maharashtra).

Good Performance

Caprihans India, a manufacturer of flexible PVC films and sheetings, rigid PVC sheets and artificial leathercloth, decorative and industrial laminates and coated papers, proposes to enter the capital market towards the end of this year with a public issue of 1.09 million equity shares of Rs 10 each at par, representing nearly 60 per cent of the company's existing paid-up capital. The public issue, which is in the nature of an offer by its existing shareholders, is aimed at broadbasing the company's shareholding and to obtain the listing of the shares on the Bombay Stock Exchange. The company's products enjoy a high reputation in the domestic market and the company has won many awards for its export performance. The company's Rs 1.60 crore paper mill project is nearing completion. Its further expansion plans include setting up of two factories at Nasik—one for the manufacture of polypropylene and polyethylene hollow corrugated boards and other for the manufacture of PVC adhesive tapes at a total estimated cost of Rs 1.61 crores. All the three projects will be financed from internal resources and loans from financial institutions.

The Tengpani Tea Co Ltd has proposed a bonus issue in the proportion of one gift share for every two existing shares by capitalising Rs 8 lakhs from general reserves. The company has fared better during the year ended March 1977 with the gross profit increasing to Rs 23.15 lakhs from Rs 21.05 lakhs in the previous year. After providing Rs 2.29 lakhs (Rs 2.08 lakhs) for depreciation, Rs 8,445 (Rs 38,700) for development rebate reserve, Rs 13.45 lakhs (Rs 11.06 lakhs) for taxation and making some adjustments there, is a disposable surplus of Rs 7.79 lakhs (Rs 7.84 lakhs). The equity dividend has been maintained at 25 per cent which will absorb Rs 4 lakhs (same). A sum of Rs 3.70 lakhs (Rs 3.83 lakhs) has bten transferred to general reserve.

Bonus Issue

The Jutlibari Tea Co Ltd proposes to make a bonus issue in the ratio of one share for every two existing shares by capitalising Rs 10.80 lakhs from the general reserve. The company has also maintained equity dividend of 30 per cent for the year ended March 1977. It has made a gross profit of Rs 42.53 lakhs on sales of Rs 109.21 lakhs for the year against a profit of Rs 30.08 lakhs on sales of Rs 90.59 lakhs in the previous year.

After providing Rs 3.16 lakhs (Rs 2.91 lakhs) for depreciation, Rs 25.70 lakhs (Rs 15.98 lakhs) for taxation and Rs 23,730 (Rs 36,465) for development rebate reserve, there is a surplus of Rs 13.28 lakhs against Rs 10.64 lakhs. The proposed dividend will absorb Rs 6.98 lakhs (same) and the balance of Rs 7 lakhs (Rs 4.20 lakhs) has been transferred to general reserve.

Finances of government companies : 1974-75

According to a study conducted by the Company Finance Division of the Department of Statistics (RBI), of the finances of 93 selected government campanies and 74 state companies during the year 1974-75, the overall picture revealed that the state government companies continued to be in the red though the agreegate deficits in 1974-75 were lower than in 1973-74. The details of the study are given below.

SHARP INCREASES in the value of production, sales and gross profits, high capital formation rates, fairly high fixed assets formation rates, and dependence of external sources of funds for financing the bulk of assets formation—these were the salient features of the performance of 93 selected central government companies and 74 state government companies during 1974-75, as revealed by a study of the finances of these companies made by the Company Finances Division of the Department of Statistics and published in the April-May 1977 issue of the Reserve Bank of India bulletin. The 93 central government companies ended the year with retained profits of Rs 160 crores (as against Rs 39 crores in 1973-74) after hiking their dividends to Rs 18 crores from Rs 12 crores.

In the Red

The 74 state government companies had operating profits of three crores rupees in 1974-75, as against the operating loss of six crore rupees in the previous year. The non-operating deficit of two crore rupees, however, brought down the pre-tax profits to one crore. The tax provision amounted to five crore rupees. In the overall picture, state government companies continued to be in the red, though the aggregate deficit in 1974-75 was lower at five crores rupees against eight crore rupee in 1973-74.

The working results of government companies for 1974-75 are compared with those for 1973-74 in the following table.

Better Picture

The value of production of central government companies rose by 50.3 per cent during the year ended March 1975 and total income by 52.4 per cent. The selected companies earned Rs 272 crores in 1974-75 by way of operating profits as against Rs 196 crores in 1973-74. With a contribution of Rs 9 crores from non-operating surplus in 1974-75 as against a non-operating deficit of Rs 59 crores in 1973-74 the pre-tax profit was more than double that in the previous year. After tax provision and dividend distribution, the retained profits amounted to Rs 160 crores, against Rs 39 crores.

All the profitability ratios showed improvement over the previous year, except the ratio of gross profits to sales which declined from 7.5 per cent to 6.9 per cent. The return on total net assets (ratio of gross profits to total net assets) increased from 4.4 per cent in 1973-74 to 4.9 per cent in 1974-75.

Gross assets formation in 1974-75 amounted to Rs 2,050 crores, fixed assests and inventories accounting for slightly over one-third each. The larger part of the fixed assets formation (Rs 580 crores) was in the form of plant and machinery. Finished goods (Rs 383 crores) and work-in-progress (Rs 36 crores) together accounted for more than 55 per cent of inventory accumulation in 1974-75. The rates of gross and net capital formation stood at 20.1 per cent and 21.8 per cent, respectively. Increase in 'loans and advance and other debtor balances was Rs 455 crores. External re sources amounting to Rs 1,59 crores contributed 77.7 pe cent of the total funds utilise for financing assets formation The major constituent of ex ternal finance was borrowing Rs 663 crores.

The value of production o state government companie increased by 38.9 per cen and sales by 33.7 per cen With a larger rate of growt in value of production than i sales, stocks of finished good and work-in-progress increase by Rs 19 crores in 1974-7

Working Results of Government Companies 1973-74—1974-75

(Rs crores)

	93 Central govt. companies		74 State govt companies	
	1973-74	1974-75	1973-74	1974-
Paid-up capital*	2,850	3,142	186	198
Sales	4,359	6,610	252	337
Value of production	4,676	7,029	256	355
Total income	4,685	7,140	263	359
Total expenditure	4,357	6,685	250	332
Gross profits	328	455	13	27
Less interest	132	183	19	24
Operating profits	196	272	—6	3
Non-operating surplus or deficit	—59	9	2	—2
Profits before tax	137	281	—4	1
Tax provision	86	103	3	5
Profits after tax	51	178	—7	—4
Dividends	12	18	1	1
Profits retained	39	160	—8	—5

Note: Figures have been rounded off to the nearest digit
*End of period.

compared with four crore rupees in 1973-74. The rate of growth in total income excluding non-operating surplus/deficit was 38.1 per cent, while that in total expenditure including interest charges was lower at 33.8 per cent. The selected companies earned three crore rupees by way of operating profits in 1974-75 in contrast to the operating loss of Rs 6 crores in 1973-74. With a non-operating deficit of two crore rupees the pre-tax profits stood at one crore rupees, as against a pre-tax loss of five crore rupees in the previous year. Tax provision was raised from three crore rupees to five crore rupees, while dividend payments were more or less at the previous year's level. The carry-over loss was five crore rupees in 1974-75, as against eight crore rupees in 1973-74.

The profit margin on sales (ratio of gross profits to sales) and return on total net assets (ratio of gross profits to total net assets) recorded improvements from 5.3 per cent and 2.4 per cent in 1973-74 to 7.9 per cent and 4.1 per cent, respectively, in 1974-75.

Gross assets formation during 1974-75 amounted to Rs 126 crores, slightly over one-third of it being in the form of fixed assets. The rates of fixed assets formation, gross and net, were 10.4 per cent and 7.2 per cent, respectively. With inventories recording a higher growth rate (41.5 per cent) than gross and net fixed assets formation rates, the rates of gross and net capital formation stood at 15.9 per cent and 15.1 per cent, respectively. The selected companies depended on external sources for financing more than three-fourths of their assets formation.

Finances of chit fund companies: 1973-74

To fill to some extent, the gap in the statical information pertaining to chit fund companies, especially their financial operations and performance, the Company Finance Division of the Department of Statistics, Reserve Bank of India made a study, which was published in May-April issue of the Reserve Bank of India Bulletin. The main findings of the study are given below.

With the prolific growth of chit funds in recent years, the Banking Commission recommended uniform chit fund legislation applicable to the whole country. A seminar on chit funds organised by the Institute of Financial Management and Research (Madras) highlighted the deficiencies and malpractices in the working of chit funds. More recently, the study group on non-banking companies (James Raj Committee) also made a study of chit funds. The group recommended that while the orderly growth of conventional chit funds is desirable, a total ban on prize-benefit chit schemes should be imposed in a phased manner. It was announced in the 1975 budget session of the Lok Sabha that a bill would be introduced for regulating the growth and operations of chit funds. In view of the continuing interest in the subject and to fill to some extent, the gap in statistical information pertaining to these chit fund companies, especially their financial operations and performance, the Company Finances Division of the Department of Statistics (RBI) made a study of the finances of these companies. The main findings of the study, published in the April/May issue of the Reserve Bank of India Bulletin, are given below.

The auction chit fund companies generally had a low paid-up capital base. Only eight out of the 31 public limited companies and 12 out of the 142 private limited companies had a paid-up capital of Rs one lakh or more each. As many as 40 private limited companies had a paid-up capital of less than Rs 10,000 each, one of these companies had a paid-up capital of Rs 500. Only one public limited company had a low paid-up capital of less than Rs 10,000. The average paid-up capital was Rs 98,000 for public limited companies and Rs 34,000 for private limited companies.

The total income of 31 pub-

Chit Fund Companies: 1973-74

(Rs lakhs)

	Auction chit fund companies		33 Prize chit fund companies	25 Loan finance companies conducting chit fund
	31 public companies	142 private companies		
Profit/Loss Account				
Income	71.34	145.94	45.74	32.04
Expenditure	50.03	135.96	48.99	12.43
Gross profits	21.31	9.98	—3.25	19.61
Interest	14.86	23.16	1.42	14.58
Operating profits	6.45	—13.18	—4.68	5.04
Non-operating surplus/deficit	0.03	—2.84	—0.02	—0.14
Tax provision	3.28	3.08	—	2.93
Profits after tax	3.21	—19.10	—4.70	1.98
Dividends	1.85	0.73	—	1.68
Profits retained	1.35	—19.83	—4.70	0.30
Balance Sheet				
Share capital	32.18	48.17	6.05	24.90
Reserves and surplus	12.54	—56.24	—29.37	18.13
Borrowings	163.14	191.92	12.41	125.19
Current liabilities	939.85	2595.07	464.83	452.71
Net fixed assets	13.51	39.48	9.45	8.17
Loans, advances and other debtor balances	1019.23	2561.83	392.54	584.71
Investments	5.55	22.08	0.01	5.67
Cash and bank balances	109.94	145.45	20.04	24.37

lic limited companies increased from Rs 64.8 lakhs in 1972-73 to Rs 71.3 lakhs in 1973-74, the increase being mainly in chit or kuri income which accounted for about 86 per cent of total income in 1973-74. All except two of these companies had operating surplus during 1973-74, their aggregate operating profits amounting to Rs 6.5 lakhs (same as in 1972-73). The loss-incurring companies made only minor losses. The total income of 142 private limited companies increased from Rs 128.3 lakhs in 1972-73 to Rs 145.9 lakhs in 1973-74, kuri income contributing the bulk (Rs 16.4 lakhs). About 85 per cent of the total income was from kuri business. Among the private limited companies 67 companies closed the year 1973-74 with an operating surplus (their total operating profits amounted to Rs 6.6 lakhs), while 75 loss-incurring companies incurred an operating loss of Rs 19.8 lakhs. Although the paid-up capital base of private limited companies (Rs 48 lakhs) was only one and a half times that of public limited companies, they had built up assets/liabilities which were about two and a half times those of public limited companies. The financial results of their operations were, however, unsatisfactory, with a carry-forward deficit of Rs 36 lakhs in 1972-73 and Rs 56 lakhs in 1973-74.

Higher Commission

The amount paid by way of managerial remuneration and commission paid to canvassing agents as a ratio of total income was higher among private limited companies than among public limited companies. The total income per Rs 100 of total net assets was lower (Rs 5.2) for private limited companies than for public limited companies (Rs 6.2) during 1973-74. The public limited companies had built-up reserve amounting to a little over one third of their paid-up capital. In the case of private limited companies, on the other hand, accumulated losses exceeded paid-up capital.

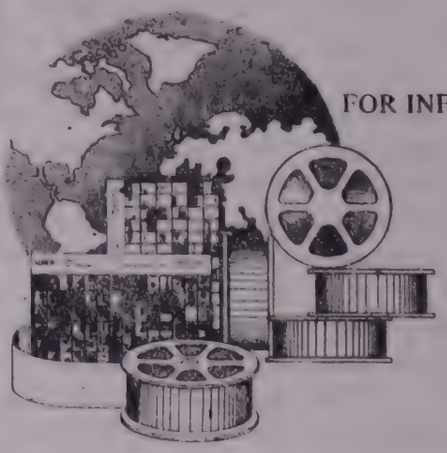
All the 33 prize chit fund companies studied were private limited companies. The paid-up capital ranged from Rs 1,600 to Rs 1,46,000; in the case of 23 companies, it did not exceed Rs 15,000 and only in one case it was over Rs 1 lakh. Interest on loans constituted the main income of these companies, amounting to Rs 30 lakhs in 1973-74, against Rs 18 lakhs in the previous year. Kuri income (comprising chit commission, chit instalments collected from prize winners, and amount of prizes and instalments forfeited in respect of dafaulting members) showed only a small increase from Rs 14 lakhs in 1972-73 to Rs 15 lakhs in 1973-74.

Operating Loss

The working of the companies resulted in an operating loss of Rs 5.4 lakhs in 1972-73 and Rs 4.7 lakhs in 1973-74. The companies had accumulated losses totalling Rs 24.7 lakhs in 1972-73. The position worsened in 1973-74, the accumulated losses increasing to Rs 29.4 lakhs. All the companies had carried forward losses in both the years.

The principal activity of loan and finance companies conducting chit business was acceptance of deposits and/or securing loans and lending of money so raised at high rates of interest; conducting chit was a subsidiary activity. The total income of the 25 companies studied increased from Rs 28.2 lakhs in 1972-73 to Rs 32.0 lakhs in 1973-74, the increase being mainly in interest income. Income from chit activity at Rs 8.4 lakhs in 1973-74 showed a marginal fall as compared with the previous year. The loan and finance companies showed a satisfactory earning position vis-a-vis the two other categories of chit companies. Profits before tax rose from Rs 4.8 lakhs in 1972-73 to Rs 4.9 lakhs in 1973-74; profits after tax declined from Rs 2.3 lakhs to Rs 2.0 lakhs. As the total dividends paid declined from Rs 2.0 lakhs to Rs 1.7 lakhs in 1973-74, the fall in retained profits was marginal. Total income as a proportion of total net assets increased from 4.9 per cent to 5.1 per cent. Six companies (two public limited and four private limited) incurred operating losses. None of the private limited companies declared dividends in 1973-74.

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Janata party—and prices

THE JANATA working committee's resolution on measures for containing inflation is largely a cataloguing of conventional wisdom. This, however, does not detract from its sincerity of purpose; brain waves could often be as treacherous as the waves of unchartered seas. What, however, must engage our concern is how well this conventional wisdom will be applied to the framing of economic measures or their administration.

The resolution gives pride of place to the importance of effective control over the money supply position. We are now at the beginning of the sixth month of the current financial year. The expenditure projections of the central budget did not add up to a testament of faith in monetary discipline. The financing pattern proposed for these outlays was hardly more reassuring. The aggregate money supply with the public as of July 22 was Rs 15,732 crores, an increase of Rs 2,026 crores over the year or Rs 573 crores since the end of March this year. The net bank credit to the government sector had risen by Rs 1,417 crores over the year or Rs 1,159 crores since the end of March, the commercial banking system's contributions to these increases being Rs 950 crores and Rs 588 crores respectively. Bank credit to the commercial sector shows a growth of Rs 2,477 crores over the year or Rs 502 crores since the end of March. Several recent developments, some of them deriving from government decisions, suggest the generation of additional purchasing power in the economy in the coming months. This apart, prospects of larger kharif crops promise an increased demand for bank credit from the commercial sector for normal trade purposes in addition to larger financial requirements for increased foodgrain procurement for the public distribution system. It is therefore not too soon to ask of the government that it gives clear proof of efforts for restraining inflationary growth of money supply.

Meanwhile, it is necessary to point out that official statistics do not indicate any vigorous progress towards the drawing down of foreign exchange assets for anti-inflation purposes. The foreign exchange assets of the Reserve Bank of India at Rs 3,120 crores as of July 29 show an increase of Rs 353 crores since March 25. While we are not advocating any shock tactics for regulating money supply, we do feel that a carefully considered anti-inflation package of fiscal and monetary measures, introduced perhaps in the form of a supplementary budget during the winter session of parliament, is required to convince the public that the government has recognised in practice that control of the growth of money supply is a necessary condition for price stability.

The working committee mentions also the regulation of the credit mechanism. This, obviously, is an exercise in which the government is continuously engaged. Since what is needed here is more and more of fine tuning, it is difficult to recommend any further general restraint on bank-lending to industry and trade. The case for more efficient credit planning, however, remains as strong as ever. It is possible that some of the politically fashionable priorities for bank loans have not been helpful to the rationalization of credit restraint or credit rationing. Unfortunately neither the Janata working committee nor the government can be expected to show courage in facing the issue. Meanwhile spokesmen of the corporate sector have hurried to plead for more bank finance to enable company boards discharge their obligations for implementing the government's bonus decision.

The resolution has dutifully asked for the utilization of the large foreign exchange reserves imaginatively for importing edible oils and industrial raw material so as to meet fully the requirements of the economy. This advice must by now have become tiresomely familiar to the government. Experience, recent or current, has shown that these imports are not such a ready or effective source of immediate relief to consumers as is so often assumed. The truth is that where normal trade channels have been rendered inactive for long periods, ad hoc improvisations just do not provide push-button services. The messing up of the import of edible oils, for which both

importers and the official machinery are responsible, has proved this beyond doubt. There is no guarantee either, as the working of the State Trading Corporation has shown, that official or semi-official agencies can be relied upon to come to the rescue of the government or the public. The moral must be that the government's trade policies should not lightly tamper with established commercial networks, particularly in the foreign trade sector.

muzzy passages

There are quite a few muzzy passages even in the short resolution that the Janata working committee has adopted on measures for containing inflation. For instance, there is little sense in asking for any immediate programme of buffer stocks for commodities in short supply, such as edible oils and pulses. A clear and urgent need is to see that supplies from imports or domestic production reach retail points as soon as possible, in as large quantities as possible. Moreover there is certainly no necessity in every case to think in terms of official or semi-official buffer stocks. The public interest is more likely to be better served by the proper filling of trade pipe-lines or consumers being enabled to stock essential provisions for some period ahead. It is high time that political or government thinking had trained itself to care for consumer interests in realistic terms.

Predictably incense has been offered at the shrine of an enlarged public distribution system. This should flatter the ego of the minister for Commerce and Civil Supplies, since Mr Mohan Dharia is always aiming at going down in Indian history as a grand provider to the nation of fair-priced goods or goodies ranging from salt to snuff. It is however most unlikely that government controlled distribution will supplant or substitute the normal trade channels. Its scope or function could never be more than subordinate and supplementary. There is therefore no point in wasting public resources on attempts to initiate a parallel or near-parallel scheme of public distribution. High overheads, political and administrative corruption and functional inefficiency are far too heavy burdens to be foisted on the public extensively and permanently.

The resolution's references to pricing policy are no very impressive examples either of clear thinking. For instance, it talks of a pricing policy for agricultural commodities which would encourage a shift in production to commodities such as edible oils and pulses. The wisdom of this recommendation cannot be assessed until some indication is given of the crops from which production is to be shifted. There is however some horse-sense in the observation that if the prices of the major foodgrains are stabilized because of increased production, a sympathetic sobering influence would prevail on the prices of other commodities. Quite possibly this is all the amount of relief that consumers may expect in respect of the prices of pulses until the next rabi harvest when, assuming that the new pulse crops are good, prices may substantially decline from the current scarcity levels.

The working committee has recommended the unhesitating utilization by the authorities of all the powers available to them under the Essential Commodities Act to deal with hoarders, profiteers, black marketeers and other anti-social elements. It has also called for the act being made more stringent if necessary. These recommendations deserve to be endorsed without reservations and now the point to be emphasized is that legislation should provide for the summary trial of offenc under the act. It may however be point out that the act must necessarily rema inert until and unless state governmen or other local administrations issue no fications fixing ceilings on trade stoc and on wholesale or retail prices. Othe wise there would be no offence of hoardi or profiteering within the meaning of t act. It is strange that this importa point has escaped the notice of some the ministers or other politicians wh were at one time so enthusiastic abo invoking the MISA.

The administrative machinery h been called upon to maintain cells in large number of centres for monitorir prices. This is an innocuous suggestio What must bother us is the committee far from wholesome proposition th Janata party workers should organiz vigilance committees for locating an preventing the hoarding of essential cor modities. The potentiality for mischi which this suggestion has is at once o vious. For one thing, political partie will be encouraged to play the game o one-upmanship by setting up rival vigilanc committees. An equally grave possibili is the encouragement of political inte ference with the administrative machiner Surely the proper thing would be to pi

Eastern Economist 30 Years Ago

SEPT. 5, 1947

It is well known that the Government's raw cotton policy for the crop year now drawing to a close has given much dissatisfaction to the cotton trade generally. It has been argued by knowledgeable men in the business that recent Government measures relating to almost all aspects of raw cotton such as production, prices or restriction on exports are inimical to the long-term interests of the cotton-grower. Consequently, there is considerable excitement and not a little anxiety in cotton circles over the Government's possible intentions for the new crop season. The matter is further complicated by the partition of the country, which has created a fresh set of problems in cotton economics. It is proposed to examine here the question of what may be the relevant considerations for a current cotton policy so far as the Indian Dominion is concerned.

Hitherto, official policy has had three broa objectives. The provinces deficit in food ha been imposing restrictions on cotton acreage part of Grow-More-Food Campaign. Partly a corollary to that policy of less cotton for t sake of more food, the central government, un recently, was restricting the volume of expor qualitatively as well as quantitatively, the purpo being to ensure adequate stocks, particularly long and medium staples, for the domestic texti industry. The third aspect of cotton policy ha been the control over cotton prices through th mechanism of fixed ceilings and floors. The obje has been two-fold; to control the price of a bas raw material as a direct implication of the contr over cotton manufactures; and secondly, the cor trol the price of an important commodity as pa of the general over-all policy of war and postw price controls.

the responsibility on the government or other local authorities concerned. Otherwise some of the excesses of the emergency are liable to be repeated even if in a different form.

The resolution does give a significant place to the stimulation of greater production of essential articles of mass consumption in its scheme to contain inflation. It does not however indicate even broadly the essential means. A few days earlier, in his Independence day address, the prime minister had said that the government would render all possible assistance to industry to step up production. This was much more to the point and the public would watch with interest how soon and how effectively the government and the business community do get together to proceed with the job. Meanwhile there appears to be a feeling of disappointment in some quarters from what is reckoned as the Janata working committee's failure to come forward with heroic remedies for the rise in prices. The Janata working committee's resolution itself makes the claim that the price rise has in fact been already arrested. The Congress working committee, meeting in Delhi on August 25, however, has denounced the present government for undoing the achievements of its predecessor in controlling inflation to the point where there was even retreat in the price level.

worst is over

This shows, surely, that party politics is back to form again. The fact is that, probably, the worst is over on the price front for the time being. Thanks to a good monsoon, the forthcoming kharif harvests should have a taming impact on the price level. This effect could be strengthened by some of the administrative measures recommended in the Janata working committee's resolution. Matters could improve further if state governments withdraw restrictions on trade and permit or facilitate inter-state movements of essential commodities as far as possible through normal trade channels. The Gujarat government has already taken a sensible decision to restore freedom to the groundnut trade when the new crop moves into the market.

The railways also have an important part to play. They should give the highest priority to the adequate provision of wagons for the transport of essential commodities and simultaneously tighten up vigilance procedures to check corruption in the railway administration. Looking beyond the very immediate future, relative price stability could be restored only if policies are framed and implemented for stepping up production levels in industry while an equilibrium between supply and demand is promoted also by the effective regulation of the growth of money supply.

Indian consultancy for west Asia

THE CONSULTANCY team which the Federation of Indian Export organisations (FIEO) sponsored to visit west Asian countries in March-April this year has made some realistic recommendations which should receive the careful consideration of the government of India. Led by Dr N.P. Agarwalla of Engineers India Ltd, the four-member team visited Oman, United Arab Emirates, Saudi Arabia, Iraq and Kuwait. The objectives of the team were to bridge the information gap in regard to the present status and capabilities of Indian consultancy organisations, to discuss with the procurement agencies and buying organisations about their requirements of consultancy services, to establish long-term and lasting contacts, and to explore the possibilities of collaborating with local consultants.

The team has recommended that the government of India should improve the postal, airmail, telegram and telephone services with these countries. It has revealed that airmail from India reaches them in 5 to 21 days. Telex communications are not "fully developed" and telephone service is "very poor". Japanese businessmen, it is stated, can communicate with any Arab country from Japan and furnish reply within a few hours. The team has also urged the need to reduce the formalities required to travel to these countries. It has suggested that it should be possible for a person to leave India within 24 hours after he makes his request for permission to travel. "With such promptness" says the team, "we can convince them of our sincerity to serve these markets". This is not the first time that complaints of this kind have been made. In fact, most delegations and study teams that have gone abroad in recent years have reported about the lack of effective communication facilities. The government of India therefore should take appropriate steps to improve the system of communications. It may not perhaps be possible to reach the level of Japanese efficiency in this matter. Even so, every effort should be made to ensure prompt communication not only with the countries of west Asia but also of other regions.

In order to facilitate the quick flow of information the team observed that "good social contacts between the commercial consulates and the authorities concerned are necessary". It has recommended that to meet the extra expenditure in this connection, a nominal levy on exports could be imposed and that the allotment to the various embassies could be made according to the export performance thereof. It seems strange that the team should suggest a levy on exports in order to promote social contacts between the consulates and the authorities in these countries ! Should the levy be imposed on all commodities or only a few? Does the team want such a levy only on exports to west Asia or to other countries as well? How exactly is the export performance of the embassies to be evaluated? The team has not given careful thought to the implications of this recommendation.

Because of delays and variations in work orders from the original contract, the team observed, project costs can rise substantially over the period of its execution. It has therefore suggested that "heavily capitalised operational consortia should be established to face the massive

financial risks involved". It has stated that governments and companies in these countries prefer to negotiate with such consortia. But what are the prospects for the formation of consortia of this kind? The consortium approach in our country does not seem to have made much headway. Apart from mutual suspicions among the exporting firms, certain legal and financial difficulties also are reported to have discouraged the growth of consortia. The team therefore should have made some specific suggestions to facilitate the formation of consortia.

turn-key basis

The team has observed that consultancy be offered on turn-key basis for which complete know-how, expertise and most of the machinery and equipment are available in India. Examples in this category include cement plants, textile mills, sugar factories, power stations, refinery pipelines and so on. For larger projects, involving sophisticated technology such as petrochemical complexes, consultancy can be offered in collaboration with the major international companies. The team however has recognised the difficulty of getting consultancy contracts for such larger projects in view of the keen competition from Japan and the other developed countries. It has therefore suggested that in such cases India should try to secure sub-contracts from these companies and that the possibility of establishing joint consultancy ventures with the companies in these countries should be explored.

The need for conducting "accurate" market survey in these countries has also been stressed by the team. It has said that a market research data centre could be set up to collect information on development plans, projects likely to materialise and those that are in the preliminary stage. But the team has not said where this research data centre should be established and on what type of information it should concentrate. Have not the FIEO and similar organisations been conducting market surveys in the countries of west Asia? How many such surveys have been completed till now and what efforts are being made to make them continuously up-to-date? Business opportunities in west Asia arose in a big way about four years ago. Many developed and developing countries have been quick to seize these opportunities to promote trade and industrial collaboration. India has also made some progress in this direction but it has been far too meagre.

Consider, for instance, the following paragraph from the team's report: "There is a general hesitancy in the prospective buyer's mind regarding the speed of supply and quality of goods and services of Indian origin. Minor instances of neglect by a few sellers are magnified to our disadvantage. Another hesitation in the buyer's mind is regarding the techniques which India offers. They believe that it would be labour intensive while their need is to have industries having little or no labour requirement. Modern, sophisticated, automatic and reliable equipment is considered desirable. India does not seem to have created an impression in this direction. Concerted efforts should be made to convince these countries tha India can supply the most advanced tech nology at the right time and at the righ price".

The annual report of the ministr of External Affairs for 1976-77 says, tha during that year "India continued to attac great importance to the further strengthen ing of bilateral relations and cooperatio with the countries of west Asia" and tha "significant expansion" occurred in ou commercial, economic and technical co operation with these countries, based o the "complementarities of their economie and needs of development". But the fac remains that, as the FIEO's consultanc team's report says, the percentage o India's exports to these countries i "lamentably low being, on the average around two per cent". The government o India and institutions like the FIEO there fore should take greater interest in th markets of west Asia for promoting pro duct and project exports.

Finance for small farmers

WHILE INAUGURATING a conference of the cooperative land development banks recently, the prime minister, Mr Morarji Desai, stressed the need to increase assistance to small farmers, who required finance on a long-term basis the most. These views have been substantiated in a recent report on the Financing of Primary Agricultural Credit Societies (PACS) by the commercial banks. The programme reviewed in the report was sponsored by the Reserve Bank of India in those areas of the country where the cooperative credit structure was financially and administratively weak. Though the reference period for the survey was 1972-73, the data has been updated to cover the period ending June 30, 1975, making the survey more relevant today.

A significant finding of the survey is the extent of the credit gap. The report reveals that large requirements for investment in durable capital as well as for improvements in land may not be met through the cooperatives. The role of the commercial banks during the coming years, therefore, has to be seen in the provisio of investment finance for agricultura development. The credit gap identified b the survey is not uniform in all the areas It varies from 25 per cent to 50 per cen of the credit requirements in differen places. For instance, in Haryana an Uttar Pradesh it was roughly 30 per cen of the requirement but in Andhra Prades about 40 per cent and in Madhya Prades some 50 per cent.

The active assistance rendered by bank to the cooperatives has however resulte in a helpful reduction of the credit gap Further progress in this direction woul depend on the societies becoming viable According to the norms prescribed by th working group on cooperative credit, cooperative society is considered viabl only if 50 per cent of the total membe ship seeks and receives assistance and th loan business amounts to around Rs lakhs. This level of business is necessar in order to meet the administrative ex penses of a cooperative. It has been revea ed that out of the cooperatives which we

urveyed in the five states, only 181 socie-es forming about eight per cent of all ıose financed by the commercial banks were iable with their business above Rs 2 lakhs. As many as 428 societies constituting 8 per cent of the total were potentially iable with a business above one lakh upees each and the remaining 74 per cent ere as yet non-viable. Since the objective nderlying the scheme is that commercial anks would enter those pockets where he primary credit structure is weak, this owever, need not be taken as a general icture of the cooperatives in the country.

credit for weaker sections

Commercial banks will of course have o make special efforts to meet the credit eeds of weaker sections of the rural ommunity who are not to be found mong the agriculturists alone. Artisans, etty traders and self-employed persons ıould also be encouraged to become embers of societies. The present survey veals this weakness because the societies lopted by the commercial banks had ot, in many cases, enrolled non-agricul-rist members belonging to these cate-ories. The inclusion of such people in e cooperative fold would not only crease the loan business of societies but so would extend banking services to a der section of the needy rural popu-ion. In the present context when efforts e being made to improve the emp-yment potential in the rural sector, this ect of commercial banking should be en substantial importance.

The survey reveals that there was a rked expansion of loans from Rs 546.96 hs to Rs 1461.12 lakhs in five years, 70-75. However, this was accompanied a sharp rise in the overdues against societies. Some major reasons for se overdues included the absence of -time paid secretaries in many socie-, indifferent attitude of management of ieties to take persuasive as well as coer-e action against defaulters, bad prece-ce set by the bearers of cooperatives o themselves were defaulters, inexperi-e of the field staff of commercial banks lealing with cooperative finance, diffi-ies experienced in supervision over ieties some of which were situated at a ance of 25 to 40 kilometers from the branch of the bank, and incorrect fixation of due dates for repayment by banks which did not synchronise with the marketing seasons of crops.

The survey has viewed the problem of overdues seriously and suggested that the lending policy and procedure by the banks should be streamlined by fixing appropriate due dates in relation to crop calendar ensuring timely disbursement and recovery of loans. Moreover, a group of three to four banks could employ on deputation, a sales officer or recovery officer from the cooperative department to expedite recovery proceedings and the cost of this officer could be shared by all the banks. The charging of an increased penal rate of interest corresponding to the size of the holding has also been suggested. This measure, it may be added, should be resorted to only to discourage large holders from default in repayment of loans. This class of borrowers may default to the institutions even when their repaying capacity is better than those having small holdings. Commercial banks have been advised to offer incentives to such of the secretaries who show good performance in the genuine recovery of dues, besides achieving progress in other respects.

Although commercial banks had appointed qualified staff to look after the work relating to agricultural finance, it is necessary that the staff possesses sufficient background experience to undertake promotional or organisational tasks in the rural areas. The survey has revealed that the field staff in some cases lacked sufficient knowledge of the problems of the rural credit. Moreover, the agricultural graduates who were appointed as field officers by some of the banks were more often saddled with the accounting work relating to agricultural advances and were unable to make periodical visits to societies to maintain contacts with borrowers or for taking up promotional work. The supervisory staff of the banks should also realise that rigid adherence to normal working hours could deprive such field staff of the initiative to maintain or improve personal contacts with borrowers who are usually free only in the evenings.

Pressures on budget projections

THE SHAPE of the central budget for 1977-78 is undergoing a significant change as a result of the decision of the new government to effect repayment against the second instalment under the Compulsory Deposit Scheme, the increase in the minimum bonus payable to workers to 8.33 per cent and the difficulties experienced in foreign balances for creating a net import surplus and generating rupee counterpart funds. The outgo of funds when repaying the second instalment under the CDS is estimated at Rs 326 crores, including accrued interest, though it is not known what exactly is the net credit taken by the centre in its budget estimates for the current financial year. It had however been indicated in the capital budget estimates that there will be an increase in credits under provident fund and special deposits accounts by Rs 176.69 crores largely due to deposits expected to be made by employees' provident funds, taking into account payment of second instalment of compulsory deposits and accrued interest thereon into provident funds and other factors.

The increase in minimum bonus payable to workers is estimated to result in additional payments of Rs 150 crores. The actual outgo may be much larger as a decision in regard to the payment of bonus to employees of the Railways and Posts and Telegraphs department is yet to be taken. There may also be demands from employees in the central secertariat and state government departments and it has been roughly computed that as much as Rs 700 crores may have to be forked out if all the demands are to be met.

The central budget itself may not be

affected to this extent. The shortfall in receipts on account of repayment of second instalment of CDS has to be made good while there may be a reduction in income-tax revenue due to larger expenditure of industrial establishments by way of bonus payments. The central government may have to make some gesture to its employees by way of special benefits in lieu of bonus payments, and a minimum of Rs 100 crores may be involved. On a rough reckoning the shortfall in availability of resources for Plan purposes may be easily from Rs 400 to 500 crores.

The Finance ministry is aware of the significance of the later developments and is making efforts to mobilise additional resources. Maximum advantage is being taken of the opportunity for securing funds through open market loans and already three tranches have been completed bringing in over Rs 640 crores against the target for net borrowing of Rs 999.75 crores. The aggregate amount raised through loans can be, without doubt, Rs 1,200 crores or more, thus filling broadly 50 per cent of the capital resources referred to above. The announcement by the Finance minister, Mr H.M. Patel, regarding the issue of National Development Bond is also aimed at mopping up a good portion of the additional funds that are being pumped into the economy through repayment against the CDS and bonus payment.

attractive terms

The terms of the new bonds are attractive, but not specially so, considering that commercial banks are already offering rates of interest on certain categories of term deposits which work out to more than the 13 per cent simple interest fixed for this 5-year bond. It remains to be seen whether there will be any inclination on the part of workers to go without income from investments for five years. The investments in bonds can take place only where the holders are prepared to wait for a five-year period and receive payment of principal and interest cumulatively. The workers themselves may not opt for this facility in great measure especially as there is reason to believe that a good part of the additional receipts may be utilised for the liquidation of debts. It remains to be seen whether a new class of investors in rural and urban areas is attracted so that the receipts under the small savings campaign increases significantly. Tax is not deductible at source, while the income by way of interest from these bonds will be eligible for tax exemption as in the case of dividends and interest on gilt-edged securities. If the option can be given to receive interest payments yearly on a lower basis or encashment facilities can be provided earlier than five years on a stipulated basis, the response may be encouraging. The changes may even have the benefit of the issue of "bearer bonds" without having any adverse effect.

offsetting the shortfall

The central exchequer can therefore hope to overcome the shortfall in receipts and offset also increase in expenditure in some directions with larger borrowing in the form of loans and bonds. There will of course be an increase in the indebtedness of the government as there may be a drop in receipts through direct taxes. Even here there may be an offsetting effect in the shape of larger revenues through excise and custom duties with heavier expenditure an purchase of excised commodities and larger imports. But there is bound to be a gap in regard to the availability of counterpart funds against the borrowing of Rs 800 crores out of foreign exchange reserves from the Reserve Bank. What precisely is the strategy proposed to be adopted by the government in regard to the use of foreign balances for creation of counterpart rupee funds is not clear. The government has not yet spelt out its intentions in this regard.

It should be normally expected that the rupee funds secured against the use of foreign balances allotted to the government will not be cancelled and used for budgetary purposes as in the case of PL-480 counterpart funds. The trouble however arises when there is no large trade deficit requiring a drawing down of foreign exchange reserves. There has so far been no suggestion that any sizable deficit will emerge in the current financial year as even a surplus has been reported in the first four months. If the expectations of a larger output of raw cotton and oilseeds materialise, it may not be necessary to import large quantities of these items.

higher export earnings

Moreover, current foreign export earnings will be higher by Rs 600-80 crores as compared to 1976-77 and us of accumulated foreign balances will aris only after these additional foreign ex change earnings have been absorbed. may therefore be necessary for the gover ment to expand currency later in the ye against foreign securities and use t money for its own purposes. Other tec niques may also be adopted. The sales o of imports by the State Trading Corp ration and other official agencies may al be utilised without the rupees so mobilis being cancelled against the use of forei exchange. How exactly the operatio in this regard will be completed remai to be seen.

While the central budgetary positi may not get complicated and the over deficits may not get enlarged there w surely be an increase in money supp and it will be interesting to find out h new demands for goods and services w be generated with larger purchasing pow in certain sections of the community a heavier Plan spending. There will course be difficulties for public sec undertakings, Railways and P&T depa ment in implementing their Plan schem There may be an overall shortage of fu by even Rs 500 crores without taking i account the gap in the resources of st governments. The gap of the latter be anything around Rs 400 crores.

How the deficit of Rs 900-1000 crore Plan budget will be made good cannot visualised at this stage. If there are eff to mobilise additional resources thro adjustments in fares and freight ra prices and service charges, there may inflationary effects. The recent devel ments have therefore great significa and the central and state governm and public undertakings will have t alert if new pressures are not allowed arise and budgetary commitments are be met on sound lines.

CAPITAL'S CORRIDORS

R. C. Ummat

Perspective plan for basic industries • Haldia petrochemicals • Supply of essential commodities • IIC's progress

THE PLANNING Commission is stated to have been directed by the government to formulate a perspective programme for the development of such basic industries as cement, steel and power. At an informal meeting of the cabinet last week, a good deal of concern is understood to have been expressed over the current shortage of power and cement, resulting primarily from the defective, marginal-deficit-oriented approach to planning. The shortage of these two essential inputs, it is felt, is impeding the growth of both industrial and agricultural sectors.

The ministries concerned are also stated to have been asked to expedite the implementation of the projects for the manufacture of cement and generation of power which are currently on hand.

The acceleration of the development programme of railways too can be expected in the near future. The minister for railways, Prof Madhu Dandavate, is understood to have emphasised at the last week's informal meeting of the cabinet that a step-up of the development programme of his ministry would not only help in opening up large employment opportunities but also go a long way in reviving the engineering industry which has been passing through a recession for quite some time. Transportation facilities in the backward areas, he is understood to have further stressed, need to be augmented if the pace of development in these area has to be fostered.

* *

The 100-crore petrochemicals complex at Haldia is expected to be cleared by the government in the near future. An indication of this was given by the minister for Petroleum, Chemicals and Fertilizers, Mr H.N. Bahuguna, last week. He hoped that the West Bengal government would be able to mobilise the requisite resources for financing the project the clearance of which, among other things, has been held up so far owing to inadequacy of the investment resources.

Mr Bahuguna has urged upon the West Bengal government that it should make earnest efforts at building up infrastructure facilities at Haldia which have remained neglected hitherto. He has also desired that the state government should draw up a conceptual plan for the development of the Haldia area, including the petrochemicals complex.

The inadequacies of naphtha supplies for the Haldia complex, Mr Bahuguna feels, should not pose a problem for the establishment of the complex. If necessary, limited quantities of naphtha could be imported.

* *

The minister of state for Civil Supplies, Mr K.K. Goel, last week outlined, at an informal meeting with pressmen, the steps that his department is taking to contain the prices of essential commodities. An important prong of the strategy, he observed, was the enlargement of the public and co-operative distribution system.

The central government, he disclosed, has decided to provide financial assistance for the opening of 500 cooperative stores for the sale of essential commodities at reasonable prices to the weaker sections of society in different parts of the country. It is proposed to provide Rs 14,000 for the setting up of each such store—an overwhelming portion in the form of share capital and the rest in the form of an outright grant. The necessary funds are envisaged to be placed at the disposal of the state governments which shall be disbursing them and also will be responsible for the recovery of the share capital portion in easy long-term instalments.

The minister warned that the government would not hesitate to take over trade in sensitive commodities if traders failed to fulfil their social obligation. The middlemen and traders, he stressed, should not charge fat margins.

effective enforcement

Asserting that the Janata government was committed to the repeal of the Maintenance of Internal Security Act, he revealed that the Essential Commodities Act was proposed to be enforced effectively and amended, if necessary, to enable the government to go in for summary trial of economic offenders. The introduction of state trading in essential commodities is envisaged to be resorted to if the situation does not improve either as a result of the restraint on the part of the trade or as a sequel to the strict enforcement of the Essential Commodities Act.

Mr Goel assured that the government was making arrangements for the supply of edible oils, particularly groundnut and rapeseed oils, at fixed prices (Rs 8.50 per kg groundnut oil and Rs 7.50 per kg rapeseed oil) in most parts of the country during the coming festival season. The sales at these prices would be effected through the public and the co-operative distribution systems. The stocks with the government of these two commodities were being augmented through imports.

He further stated that the NAFED, which had some stocks of pulses with it, had agreed to release them through the Super Bazar in Delhi at reduced rates. It was already supplying potatoes and onions to co-oparative stores charging a minimum margin of profit, so that they can be sold to consumers at reasonable prices.

The NAFED, the minister added, had

also agreed to purchase tea at auctions and make it available to retail outlets at a profit margin of less than two rupees a kg instead of the Rs 5 per kg charged by tea companies, This, he felt, would go some way in reducing the price of loose tea for consumers,

The minister announced that a national consumer protection society would be set up soon. It would be an autonomous non-official body to look after the interests of consumers.

As regards sugar, the open market prices of which have shown a tendency of hardening in the recent weeks, larger allocations for free sale are understood to be under the consideration of the government during the current month and October. The primary reason for the recent uptrend in sugar prices has been the increase in demand on the eve of the festival season. The increase in the allocations of sugar for free sale, it is felt, will augment the supply in the market sufficiently to meet the growing demand.

* *

The chairman of the Indian Investment Centre (IIC), Mr R. S. Bhatt, told newsmen here last week that the branches of Indian banks abroad had been urged that they should extend all co-operation to promote the flow of investments into India from foreign parties as well as non-resident Indians, The view of the IIC that the foreign branches of Indian banks should not confine themselves only to banking business but also act as the "eyes and ears" of the country in matters relating to international business and investment, he said, had been endorsed by the ministries of Finance and Commerce.

Mr Bhatt opined that the investment climate in India was considered abroad to be quite promising. The IIC was trying to interest both foreign parties and non-resident Indians to invest in this country as well as to provide technical assistance. The policy of the government in regard to foreign investments, he however stressed, remained unchanged. Foreign investments were welcomed only in industrial ventures which required highly sophisticated technology or were export-oriented. In the other fields, only technical assistance was being preferred. This was evident from the approvals granted for foreign collaborations in India. In 1974, 359 ventures were accorded approval to be set up with external assistance. Of these, only 35 involved financial participation to the extent of Rs 6.71 crores. The approvals granted in 1975 were to 279 ventures, of which 40 involved financial participation to the tune to Rs 3.28 crores. The corresponding figures for 1976 were 281 ventures, out of which 39 had financial participation of Rs 7.26 crores. In the first quarter of the current calendar year, 55 ventures with foreign collaboration had been approved. Of these, only six involved financial participation.

active agent

Reviewing the working of the IIC during 1976-77, Mr Bhatt observed that the undertaking was active on all the fronts it was engaged in. Another 34 proposals for foreign collaboration assisted by it had received government approval covering such diverse fields as electronic watches, graphite electrodes, pollution control equipment, electro-medical instruments, fibre glass, rubber thread, etc. This brought the total number of IIC-assisted proposals for foreign collaboration approved by the government up to March 31, 1977, to 521.

The IIC received last year a record number of 166 Indian/foreign enquires for setting up joint venture abroad, as compared to 107 in 1975-76 and 68 in 1974-75. More than 30 enquires last year were from foreign parties from nine countries, the prominenr among them being Thailand, Bangladesh, Kenya, Ghana, Nigeria and Panama, seeking suitable Indian partners for their contemplated ventures in the fields of production of diesel engines, steel castings, springs, cycle tyres and tubes, etc.

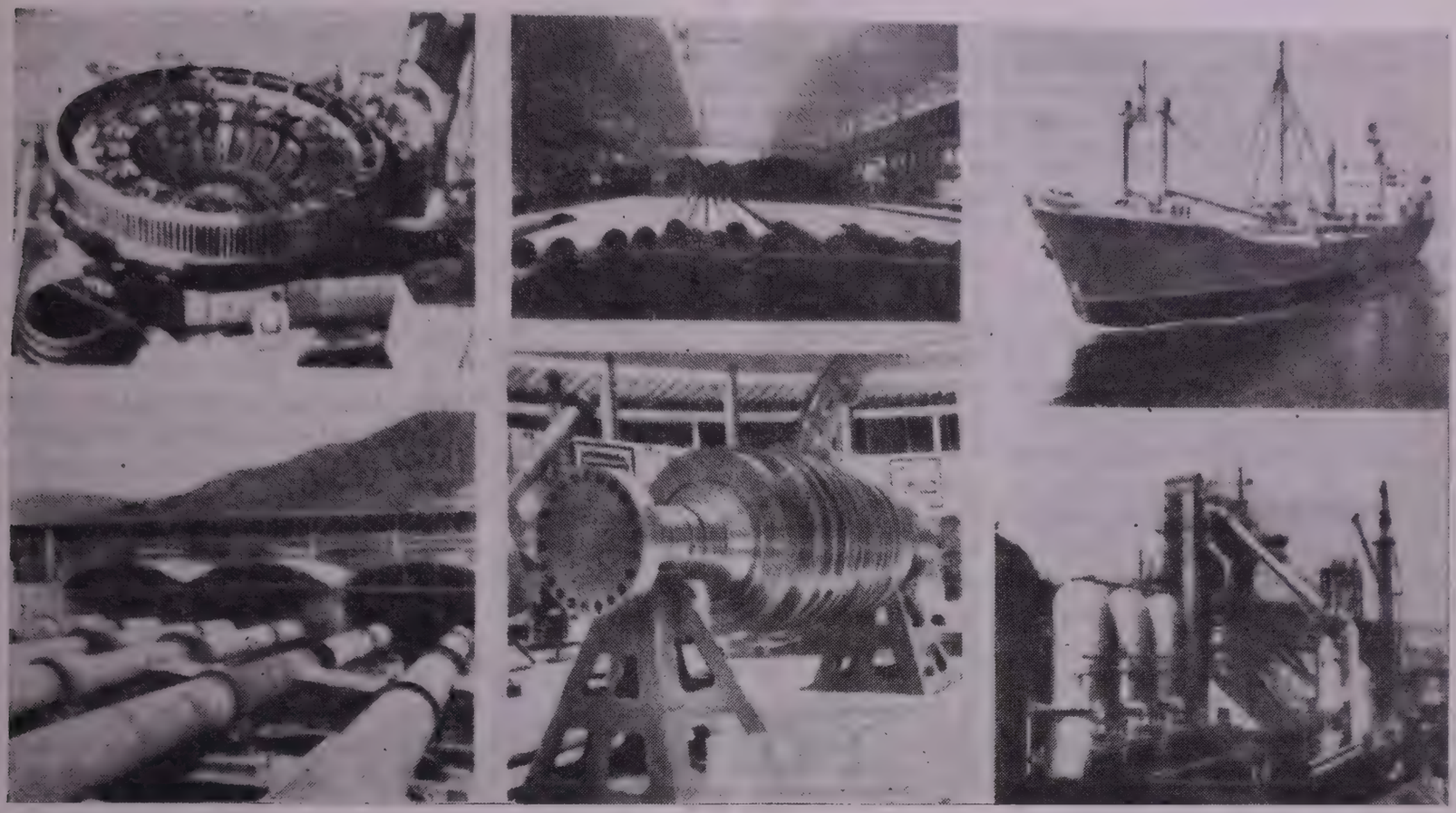
Enquiries from Indian parties related to the manufacture of agricultural implements, cotton textiles, cement, paper, sugar and electrical household goods and setting up of hotels. Eight IIC-assisted proposals for setting up joint ventures abroad were cleared last year, as against a similar number during the previous five years. The proposals cleared last year included manufacture of photographic and fine chemicals, heavy chemicals, textile (Malaysia), aluminium alloy wires (Indonesia), bicycle rims (Nigeria) and flush doors (Muscat).

authentic information

The IIC made concerted efforts last year to provide authentic and up-to-date information to non-resident Indians on the facilities available for putting up industrial ventures in this country. Two important publications were brought out by it in respect of project profiles for engineering and non-engineering industries covering 84 items. This resulted in the number of enquiries received from non-resident Indians going up from 1,770 in 1975-76 to 2,099 in 1976-77. As many as 87 non-resident Indians were issued customs clearance permits through the assistance of IIC, involving an investment of imported machinery to the tune of Rs 1.59 crores and raw materials worth Rs 12 lakhs. Out of these, 21 units in the fields of printed circuit boards and wires, deflection equipment components, knitted garments, battery-operated toys, etc, had already gone into production. In addition to these, assistance was provided by the IIC to a public limited company set up by a non-resident Indian from Hong Kong for the manufacture in Gurgaon of wrist watches in collaboration with a Swiss firm. This unit will have a capacity to manufacture 600,000 wrist watches per annum.

Encouraged by the success achieved by it in regard to entrepreneurial development training programme, in connection with which a one-year course for 20 entrepreneurs was organised in Calcutta in 1974-75, the IIC has planned a second such course, again in Calcutta, in collaboration with the Allahabad Bank. The first course which was attended by 20 entreprenuers resulted in the establishment of 14 industrial units, yielding a success ratio of 70 per cent, as against the all-India average of 11 per cent for similar training programmes in the country. A special feature of the programme is assuring finance by the bank to all viable projects without insistence on margin money from entrepreneurs.

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FOREIGN TRADE COMPANY
Bucharest — Romania
133, Calea Victoriei
POB 2993 : telex 011214
telephone 50.25.35
cables : uzexim — bucharest

For particulars please contact:—

THE TRADE REPRESENTATION OF THE SOCIALIST REPUBLIC OF ROMANIA IN INDIA

NEW DELHI
17, Kautilya Marg,
New Delhi - 110021
Phones: 375863 & 375871

BOMBAY
Steelcrete House
Dinshaw Wacha Road
Churchgate Reclamation
Bombay-400020
Phone: 296161/33

CALCUTTA
11, Rajendra Nath
Mukherjee Road
8th Floor,
Calcutta-700001
Phone : 237005

MADRAS
27, Khader Nawaz Khan Road
Madras-600006
Phones : 83624 & 88387.

Valuation of shares in private companies

Dr R. M. Lall

The author discusses here the complexities of valuing the shares of private companies in view of the restrictions imposed on the transfer of these shares. He makes several suggestions of practical importance to the valuer so that he may arrive at a proper valuation of such shares in different situations. Dr Lall is a Director of the Reserve Bank of India for Northern Area and a member of the Regional Direct Taxes Advisory Committee. He has been in practice as a Chartered Accountant since 1950 and is in Lucknow.

THE MAIN distinguishing features of a public company are: first widespread participation in the ownership of capital, second, the divorce of management from ownership, and, third, the ease with which shareholdings can be purchased or sold. These features are normally missing in the case of private companies. As a matter of fact, a private company stands out distinctly from a public company in certain material respects, namely:

(a) The control of a private company is vested in one shareholder or in a small group of shareholders at times to the extent that the majority shareholders do not have any effective say in the management of the company, and that for all practical purposes the management is closely identified with the ownership of the principal shareholdings.

restrictions on transfer

(b) The articles of association place restrictions on the transfer and alienation of shares. A few typical examples of such restrictions are cited here. Restrictions may be to the effect that "no share shall be transferred to a person who is not a member so long as any member is willing to purchase the same at the fair value", or that "no share or shares other than a share or shares registered in the name of the governing director shall be transferred to a person who is not a member so long as the governing director, if any, or if there is no such governing director, the directors may select a person as one whom, it is desirable in the interests of the company to admit to membership, is willing to purchase the same at the fair value", and so on.

In fact there is no end to the manner and mode in which restrictions are placed on the transfer of shares so that the shares may not pass into the hands of those who are not acceptable. Besides other restrictions, there is almost invariably a clause in the articles of association of a private company providing that the directors in their absolute discretion may refuse to register a transfer of shares without assigning any reasons therefor. In the face of such a clause, the court would not compel the directors to assign reasons for refusal to register a transfer of shares, nor shall it interfere if it is satisfied that the directors' refusal had been due to anything but a *bona fide* consideration of the interests of the company as the directors saw them.[1]

POINT OF VIEW

In a leading case,[2] the articles of association provided that on the death of any of the three shareholders, the shares of the deceased were to be purchased by the other two. A peculiar restriction was embodied in the articles of a company in Sri Lanka providing that the holders of nine-tenths of the share capital could call for a transfer of any other shares[3]. Similarly in Salvesen case[4], the South Georgia company's articles laid down that a shareholder with less than 10 per cent of the shares could be called upon to transfer his shares. On top, *In re.* Thornley & Knight Ltd.,[5] where a father and son held the entire shareholding, the articles of associatio provided that in the event of the pri death of father or son, his shares were be converted into five per cent preferen shares, and that if either intended to se his shares, he must offer them to th other.

(c) The law generally places a restrictio on the maximum number of member who can constitute a private company For instance, under the English an Indian law it is provided that the numbe of members of a private company sha not exceed fifty exclusive of those wh acquired shares while in the company' employment.

special powers

(d) It is not uncommon to find article of association of private companies con taining other types of restrictive clause which may have a vital bearing on shar valuation. Such clauses may arm th directors with special powers as to th disposal of profits and dividends, issu and allotment of new shares, borrowing powers to be exercised on behalf of th company, and so on. Such clauses ma bestow special voting powers on a certai class of shareholders even to the poin of detriment to other classes. Article may contain some extraordinary clause relating to the emoluments of directors or their right of option to subscribe fo the shares, and so on. Notwithstanding the fact that such clauses may be perfectl legal, they would depress or increase the value of shares.

It is, therefore, imperative for the valuer to scan the articles of association of the company to take note of such restrictive clauses. Lord Fleming is on record as saying: "I may say at once that I regard these restrictions as depreciating thei (shares) value very considerably. Nobody except a person who was prepared to have his capital locked up for many years could afford to buy them[6]. There is little doubt that such features of a private com-

pany are a definite disadvantage and consequently the shareholders would demand a higher yield on shares in a private company than in a public company. By what percentage the market yield should be varied to conform to this disadvantage would necessarily depend upon the special circumstances of each particular case. More than anything, the informed judgment of the valuer would be the best guide. It is not practicable to lay down any yardstick. There are however, a few judicial pronouncements reflecting the extent by which allowances were made in the market yield for non-negotiability and limited market.

(*i*) *Where Controlling Interest is Involved*: It is always desirable to ascertain at the very outset the size of shareholding to be valued, and in particular to find out if the ownership of such shareholding would confer any control on the prospective purchaser, and if so, of what form? It has been rightly asserted that "a parcel of shares, the ownership of which gives complete dominion over the affairs of a private company will, in our view, command a higher value, than a parcel of shares, of the same class, in the same company, which merely represents a minority holding."[7]

judicial recognition

This view has already received judicial cognition. To quote the words of Farwell, J: "There may be....a considerable difference between the price at which the shareholder is willing to sell his shares, if he is desirous of selling a large or small number; and the price which he obtains for his shares may vary according to the number of shares he is proposing to sell. If one takes the illustration....of an offer of shares sufficient to give control of the company, it may well be that a purchaser would be prepared to pay a much higher price for a number of shares sufficient for that purpose, whereas he would not be willing to pay such a higher price if the number of shares was reduced below the necessary number."[8]

In a leading case,[9] the restrictive clauses in the articles of association of the company were deemed not to have any depressing effect on the valuation of shares on the ground that the deceased had a holding of more than 73 per cent of the total issued shares, and consequently, he was in a position to remove all such restrictions, and further to have the shares listed on a stock exchange. In this case, it was also ruled that in the absence of 75 per cent majority of shareholdings, the restrictive clauses in the articles would adversely influence the values of shares. In another case,[10] the judge held: "a parcel of shares sufficient to carry a special resolution may have a higher value", because such an interest in the view of the judge was "substantially equivalent to absolute ownership".

disabilities imposed

Referring to the restrictive clauses in the articles of association, a group of accountants also echoed the same view: "The disabilities imposed by these, and provisions of a like nature are obviously of little concern to the shareholder who possesses the voting strength required to pass a special resolution. It is within his uncontrolled power, if and when he so wishes, to remove the offending article or articles from the company's constitution".[11] From these pronouncements, it can be safely inferred that the current thinking is that where a controlling interest is held, the valuer would be justified in ignoring the effect of the restricions placed by the articles of association on the transfer or alienation of shares, on the ground that the holder of a controlling interest can set at rest all such restrictions at his will. As will be evident in the subsequent part of this chapter, this view is open to criticism.

(*ii*) *Where a Minority Interest is Held*: Normally there are two major factors that work against the interests of minority shareholders in a private company, namely, first, the dominant position of one or more shareholders who are in control of the affairs of the company against whose wishes the minority shareholders are virtually powerless,[12] and, second, the restrictions placed on the transfer of shares. Thus, every purchaser of shares in a private company would have to take a long-term view of his investment because of the fact that if at any time he wishes to sell his holdings, he would have but a limited market to explore and many formalities to observe. Danckwert, J. has beautifully depicted the position of such an investor in these words: "I think the kind of investor who would purchase shares in a private company of this kind, in circumstances which must preclude his disposing of his shares freely whenever he should wish....would be different from any common kind of purchaser of shares on the stock exchange, and would be rather the exceptional kind of investor who had some special reason for putting his money into shares of this kind. He would, in my view, be the kind of investor who would not hurriedly rush into the transaction, but would consider carefully the prudence of the course.."[13].

There is no doubt that the liabilities arising from the restrictive clauses in the articles of association of a private company must be allowed for in the calculation of yield relative to the specific company. On the question of determination of the percentage by which the market yield has to be varied for this purpose, a review of a few leading cases would be illuminating and instructive.

Kent & Martin case

In Kent & Martin's case,[14] the witnesses were unanimous that the market yield from a stock similar to that of the Paper Products Private Ltd in January 1941 would be 8 per cent. Working upon this percentage as a basis, Williams, J. adopted a yield of 9½ per cent, thereby he allowed a margin of 1½ per cent to cover the lack of negotiability. This margin reduced the value of shares by about 15 per cent.

In re. Commissioner of Succession Duties (S.A.) *v* Executor Trustee and Agency of S.A. Ltd,[15] it was agreed that the market yield from comparable listed companies would be between 11 per cent and 13 per cent. For the lack of listing of the company in question on the stock exchange, the court ruled that the yield should be raised to 14 per cent. Taking the market yield at 12 per cent (that is, the average of 11 per cent and 13 per cent), one can arrive at the conclusion that the court allowed two per cent loading to the market yield for the lack of negotiability of shares, which in its turn brought down the total valuation by 13.2 per cent.

In the Holt case, one witness asserted

that he would raise the yield by 1½ per cent to account for the lack of marketability of shares in the private company, another witness wanted to raise it by one-third, which in that case worked out at two per cent, and the third witness said that his normal practice was to arrive at the yield on the assumption that it was a public company and then deduct 20 per cent from that yield: (2 All ER, 1504; 1953 32 ATC 402).

In another case,[16] the valuation board at first arrived at the price of the shares by capitalization of the market yield, and then allowed a deduction of 10 per cent from the price to account for the depressing effect of the restrictive clauses of the articles of association on the valuation of shares. It did not adjust the market yield directly. All the same, the procedure adopted by the board has had the same effect as giving a loading of 11per cent to the market yield for restrictive clauses.

courts' assessment

It would thus be evident that the courts have raised the yield by one per cent to two per cent to allow for the lack of negotiability of shares in a private company, where a minority interest was being valued, and that they have completely ignored the restrictive clauses where the valuation of a controlling interest was involved.

It is suggested that a minimum allowance of 10 per cent for non-listing should be allowed, even when the valuation of shares constituting a controlling interest is called for. It is not fair to equate a shareholding in a private company with that in a public company on the mere ground that the shareholder, if he so wishes, can convert the company into a public company. It should be appreciated that the conversion of a private company into a public company is not an easy task; a large number of formalities are to be observed, some of which may even call for an expert advice. Further even if the company is so converted, it is not necessary that it must be in a position to conform to all the requirements of listing on the stock exchange. The net result may be that although it is a public company, its shares may not yet be dealt with on a stock exchange. In certain other cases there may be reasonable ground for the majority interest in a company to abhor any attempt at listing of the company's shares. In practice cases are not wanting where the majority resists any attempt at listing of the shares, because it hopes that in the near future it would be able to get the remaining shares at a material discount.

Thus it can be seen that there is a wide gap between the real situation as it exists and the hypothetical situation as the courts presume while valuing the controlling interest in a private company. Justice and fairplay demand that the valuer must value the shares in the context of the conditions as they obtain and should not necessarily import an unfounded assumption.

So long as a private company is not converted into a public company, and so long as its shares are not quoted on a stock exchange, without any shadow of doubt the market for its shares is limited, whether the sale of a majority or of a minority block is contemplated. For this disadvantage of limited market, the market yield must be increased by 10 per cent. This 10 per cent is allowed as a loading to the market yield even in the open market to cover the element of poor marketability of securities of companies. Harry C. Sauvain has gone on record as saying: "Careful observers of the security markets often see little known and poorly marketable issues selling to yield as much as one per cent more than large, highly marketable issues that seem to be no better as far as financial risk and interest-rate risk are concerned."[17]

References

1. The validity of such clauses was challenged and upheld in Smith & Fawcett Ltd, (1942) 1, All E.R., 542, Also see Delavanne *v.* Broadhurst, (1931) 1 ch. 234.
2. Dean *v.* Prince, (1954), 1 All E.R., 749.
3. A.G. of Ceylon *v.* Mackie, (1952), 2 All E.R., 775.
4. Salvesen's Trustees *v.* I.R.C., (1930), 9 A.T.C., 43.
5. In re. Thornley & Knight Ltd, (1928), 7 A.T.C., 178.
6. Reproduced from *Accountancy* of Feb. 1962 p. 843.
7. A study group of the South Australian Branch of the Institute of Chartered Accountants in Australia. The valuation of shares in non-public companies, *Chartered Accountant in Australia*, Mar. 1951, p. 505.
8. Ocean Coal Co Ltd *v.* Powell Duffryn Steam Coal Co. Ltd., (1932), 1 ch. 654.
9. Myer *v.* Commissioner of Taxes, 1937 V.L.R. 106.
10. Murdoch (Sir James), Re. Perpetual Trustee Co. *v.* Federal Commissioner of Taxation 65, C.L.R. 573.
11. Study Group, *Op. cit.*, p. 506.
12. No doubt, the powers of the directors are fiduciary and the court can grant relief to minority shareholders in case it is established that the directors have acted dishonestly or improperly. Nevertheless, certain disabilities of the minority shareholders in a private company can hardly be attributed to the abuse of the fiduciary powers of the directors.
13. Holt *v.* Inland Revenue Commissioners (1953), 1 W.L.R. 1488.
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Manager

The problem of external debt-servicing

Salahuddin A. Siddiqui

Mr Siddiqui, who is in the Department of Economics, Aligarh Muslim University, gives a descriptive account of the country's external debt and discusses how the servicing of this debt may be so managed that the burden on the national economy is kept down.

RECENTLY THE rising external debt service payments consequent upon an increase in external indebtedness have created certain resource problems. The repayment of external debt has its own complexities. It is thought to be more difficult than that of internal debt-servicing. It is not only a transfer of resources from one group to another, but the borrowing country has also to forgo a certain amount of purchasing power, which could otherwise be used for consumption or investment purposes.[1] Further, it has its own impact both on budgetary operations and on balance of payments. The budget has to allocate the rupee equivalent of foreign exchange required for external debt repayment.

effect on development

To allocate these funds, there should be an increase in the national income, and saving by itself is not sufficient to face the debt servicing problem. The conversion of rupee currencies imposes heavy strain on the balance of payments, because a major part of export surplus is absorbed in servicing the debt only. Further, when a large slice of government's revenue is directed towards external debt servicing the government has to curtail its investment for developmental purposes.[2]

Taking all these factors into account, observers of the Indian economy are deeply interested in the consequences of external debt-servicing. The graveness of the situation can be realised only when we look at the bulk of external assistance. In absolute amount India tops the list of 81 recipient countries for which IBRD collected data of outstanding external debt.[3] India accounted for as much as fifteen per cent of the total external debt of these countries and was much ahead of Brazil, Indonesia, Mexico and Pakistan—the next largest debtor.[4] Up to the end of March, 1976, the amount of external assistance authorised in the form of loans, grants and commodity aid totalled Rs 18,604 crores of which a sum of Rs 15,693 crores (84.7 per cent) was utilised. The main creditor countries and institutions are the USA, the USSR, West Germany, the UK, the IBRD and the IDA. The United States of America has emerged as the largest single contributor of this assistance to India, accounting for 32.3 per cent of the total assistance authorised from different sources up to the end of March, 1976 (Table I). The second largest single contributor is the World Bank group—the IBRD and the IDA. This group has contributed Rs 4,181 crores or 22.5 per cent of the total assistance authorised. The USSR also contributed 6.6 per cent of the total authorised assistance. West Germany and Japan with Rs 1296 crores and Rs 591 crores of the total assistance authorised come next respectively (Table I).

Total interest payment on external borrowings of India increased from Rs 64 crores in the second Plan to Rs 237 crores in the Third Plan period. During the later years it stood at Rs 114.8 crores in 1966-67 and reached to Rs 230.0 crores in 1975-76. During the same period capital repayment increased from Rs 55.2 crores to Rs 305.6 crores and stood at Rs 159.7 crores and Rs 470.0 crores respectively. The total repayment burden amounted to Rs 23.8 crores, Rs 119.4 crores and Rs 542.6 crores during the first three five year Plans and it further increased from Rs 274.5 crores in 1966-67 to Rs 760.7 crores in 1976-77 (Table II).

Further, with the rise in debt service charges, the proportion of gross aid absorbed by debt services has also gone up substantially and this has affected the availability of external resources for development purposes. In 1961-62 the proportion of gross aid absorbed by debt servicing was 26.8 per cent which increased to 54.3 per cent in 1971-72. This shows that more than half of the gross aid utilised was devoted for debt servicing.[5] It was pointed out that if that trend would have continued the net accretion (income minus outgoing payments) to India may fall to the zero level by 1975.[6] But fortunately this trend could be checked and following a record aid utilisation, the net inflow of aid reached Rs 949 crores,

TABLE I

Aggregate External Assistance (Loans, Grants and Commodity Aid) Source-wise upto the End of March, 1976

(Rs in crores)

Country/institution	Authorised amount	Per cent to total	Utilised amount	Per cent to total
IBRD/IDA	4,181	22.5	2,815	17.9
USA	6,017	32.3	6,115	39.0
USSR	1,235	6.6	961	6.1
West Germany	1,296	7.0	1,210	7.7
United Kingdom	1,667	9.0	1,442	9.2
Japan	591	3.2	509	3.3
Others	3,617	19.4	2,641	16.8
Total	18,604	100.0	15,693	100.0

Source: Report on Currency and Finance, Reserve Bank of India, 1975-76, p. 218.

the highest in the past decade. Debt service payment as proportion of gross aid receipts declined to as low as 35 per cent in 1975-76.[7]

However, the net availability of external assistance i.e., after allowing for the repayment of principal and interest charges on the foreign loans has also shown an improvement in recent years after touching a low ebb in 1972-73 as against Rs 863 crores in 1967-68 and only Rs 159 crores in 1972-73 the volume of net external assistance amounted to Rs 1153 crores in 1975-76. During 1976-77 the net availability of aid was lower than in 1975-76.

In India, the problem of external debt repayment has got two aspects, 'one is the burden of repayment and other is the capacity to repay'. The quantum may be larger but if the capacity is high no burden is left. On the other hand even a relatively smaller amount may become intolerable if the capacity is small.[8]

The burden of debt servicing depends not only on the size of outstanding debt, but also on the terms and conditions of loans, such as grant element, interest rates, maturity pattern (including grace period), mode of repayment and the nature of loans (whether tied or untied).

fall in grants

Though, the best form of aid is grants and not loans, the proportion of grants to loans in the foreign aid provided through different sources has fallen rapidly. The percentage of foreign loans in total authorised assistance increased from 55.7 per cent in the first Plan to 78.3 per cent in the third Plan, while the proportion of grants during the same period declined from 34.8 per cent to a meagre 3.7 per cent. Till the end of March 1976, of the total authorisations, 90 per cent were in the form of loans, 9.5 per cent as grants and only 0.5 per cent in the form of PL 480.[9] The negligible grant element in total assistance makes debt servicing burden more onerous.[10] There are other factors also which have led to a significant hardening of terms of aid during recent years. One of them is terms and conditions of borrowing. India has both types of loans, 'soft' and 'hard' on commercial terms. Different countries charge different rates of interest. The United States which is the largest lender to India, is also a lender on the softest terms as is shown in Table III.

The table shows the grace period of 10 years as also the repayment period of 40 years in the case of the USA which is clearly the largest of all the six major sources as given in Table III. Previously we received the US loan on 3¼ to 2 per cent interest which has been further softened for some selected loans and such loans are available at one per cent interest rate. The USAID loans carried only credit fee of ¾ to one per cent on the total outstanding debt till the end of March 1963. However, recently it granted loans carrying interest of two per cent during the grace period and three per cent thereafter.[11] Loans granted by the UK and West Germany carry interest rates ranging from 3 to 5½ per cent. The loans advanced by France and Japan in 1951 were on strict commercial terms. While other countries liberalised their terms and conditions of loans in 1967 their liberalisation was very marginal. The USSR continued to advance loans on the same terms and conditions. The IBRD granted loans on high rates of interest ranging from four per cent to six per cent. The IDA (affiliate of the IBRD) has lent on

TABLE II

External Debt Servicing

(Rs in crores)

Period	Amortisation	Interest payments	Total debt
First Plan	10.5	13.3	23.8
Second Plan	55.2	64.2	119.4
Third Plan	305.6	237.0	542.6
1966-67	159.7	114.8	274.5
1967-68	210.7	122.3	333.0
1968-69	236.2	138.8	375.0
1969-70	268.5	144.0	412.5
1970-71	289.5	160.5	450.0
1971-72	299.3	180.0	479.3
1972-73	327.0	180.4	507.4
1973-74	399.9	195.9	595.8
1974-75	411.0	215.0	626.0
1975-76	462.6	223.6	686.3
1976-77*	502.6	258.1	760.7

Source: Government of India, Economic Survey, 1975-76, p. 119 and 1976-77, p. 116. *Estimates

TABLE III

Lending Terms to India

	Payment period		Grace period		Interest rates %	
Country	1961	1967	1961	1967	1961	1967
USA	40	40	10	10	¾ to 21 (largely 1)	1 to 1½
USSR	12	12	One year after deliveries		2½	2½
West Germany	13—20	25	4—8	7½	3—5½	3
UK	26	25	7	7	3½	Nil
France	13—15	13—15	During delivery of equipment		6½	5½
Japan	15	18	1½	5	6	5½

Source: Economic Record, Vol. 8, No. 6, Sept. 1967.

advantageous terms. They carry only a service charge of ¾ per cent to one per cent.

As a result of the devaluation of the rupee on June 6, 1966, external obligations in terms of rupees have increased by 57.5 per cent. Additional expenditure in rupees on account of the outstanding foreign borrowing would go up by nearly Rs 1368.70 crores and this increased liability would be spread over a period extending in same cases up to 40 years[12].

severe strain

The mounting interest payment obligations have imposed severe strain on our balance of payments and it is being realised that we cannot afford to borrow large sums on hard terms. That is why we are trying to recieve loans on 'soft terms'. The softening in the terms of developmental lending is reflected in the fact that the share of loans with interest of five per cent or more came down from 63 per cent as on September 30, 1960 to just 30 per cent on Septemher 30, 1964. A somewhat longer term analysis of India's external debt shows that the average rate of interest which India had to pay on external loans contracted during the second five year Plan was 4.3 per cent; it came down to 3.2 per cent in 1961-62 and 2.6 per cent in 1963-64.[13] Though we have tried to receive loans on 'softer terms', yet the present repayment burden itself is already straining the economy. Therefore, in future only those new external loans are contracted which may be obtained on softer terms and conditions so that they may not enhance the already heavy existing burden.

The maturity pattern of external loans influences the burden of debt servicing because sometimes a debtor country is not free to determine the maturity pattern of its external debt which is largely influenced by the policies and performances of the creditor countries. The short term loans impose a heavier burden as the repayment instalments start within a short time. Besides, the increase in the productive capacity for which the loan is received may take a longer period. Long term loans impose little burden as the repayment by instalments start after a long time.

The available information regarding terms of loans show that medium term (44.9 per cent) and long term (52.6 per cent) loans constituted the bulk of the total external debt at the end of March, 1966.[14] The longer the maturity period the larger will be the advantage for the economy, because the burden of servicing of debt will be spread over a long period of time. Loans with maturity period of less than 10 years have increased from 0.5 per cent at the end of March 1956 to four per cent at the end of March 1961, but declined to 2.5 per cent at the end of March, 1966.

Among the creditor countries the USA granted loans on long term basis that is, for 30 to 40 years. The UK, West German and Russian loans are mostly short term and medium term loans. The AID and the IDA lend resources for longer periods. The AID loans are repayable over a period of 40 years commencing from the eleventh year of the drawal of the loans and the IDA loans are repayable in 80 semi-annual instalments, repayment commencing after a moratorium of 10 years. The IBRD loans are repayable between 10 and 20 years. We have tried since the third five year Plan to receive external assistance with longer maturity periods to meet large outflow on account of debt services without unduly straining the economy.

The mode of repayment of external obligations also determines the magnitude of burden of repayment. Loans repayable in local currency have definite advantage over the loans repayable in foreign currencies as the former impose no strain on the foreign exchange resources.

Up to the end of the Second Plan period the loans repayable in rupees amounted to Rs 119 crores which formed 14 per cent of the total external assistance. This percentage, as is evident from Table IV, declined to 8.1 per cent in the third Plan period, 1.4 per cent in 1966-67, to 0.1 per cent in 1971-72 and disappeared in the year 1974-75 and 1975-76.

This tendency is largely due to the change in PL 480 agreements.[15] Thus, to minimise the burden of debt servicing in foreign currencies it is desirable to secure more foreign loans with provision for repayment in local currency, provided the proceeds of repayments are used for importing Indian goods as in the case of Russian loans.

Further a very large proportion of external assistance to India received since independence is tied to project or creditor countries (excluding the IBRD and the IDA loans). These aspects make debt service obligations more burdensome.[16]

As external assistance is largely country tied, debt servicing in free foreign exchange imposes an additional burden in so far as the purchasing power of tied aid

TABLE IV

External Assistance by Mode of Repayment

(Rs in crores)

Period	Repayment in foreign currencies	Repayment in rupees	Total	Col 3 as per cent of Col 4
1	2	3	4	5
Upto the end of second Plan	732.0	119.1	851.1	14.1
Third Plan	1752.0	156.3	1908.0	8.1
1966-67	629.2	9.4	638.6	1.7
1967-68	801.7	4.1	805.8	0.5
1968-69	658.9	7.4	666.3	1.0
1969 74	3521.56	2.26	3523.82	—
1974-75	859.18	—	859.18	—
1975-76	1192.62	—	1192.62	—

Source: Compiled from RBI Report on Currency and Finance 1969-70, Statement-152, 1971-72, Statement-99 and 1975-76, Statement-95

resources is considerably lower than that of equivalent convertible foreign exchange.[17] Besides, the recipient country is not free to choose the techniques most appropriate for their newly established industry. They have to accept the prices, quality, specifications and the time of delivery according to creditor countries' wishes. It makes the contribution costlier. Capital goods purchased in the USA out of the loans extended by US government are comparatively costly. If the same goods of the same quality are purchased in the other international markets, India would be able to secure them at prices varying from 30 to 40 per cent less than the American prices.[18] It also causes delay in utilisation of loans owing to non-availability of specific goods in the lender's market. Keeping these problems in mind the Pearson Commission[19] advocated progressive untying of aid. The US government has taken steps in this direction. However, the agreement was that the loan proceeds should be used for buying American goods.

delay in utilisation

The loans tied to projects have also caused delay in the utilisation of external assistance. It is accepted that non-project loans or general purpose loans can be utilised more quickly. Project aid includes only the actual cost of the plant and machinery and not the ancillary import requirements of construction of machinery and materials like steel which are required for the civil construction works. There is no provision of such type of components in project tied aid; as a result utilisation of loan is delayed.

Recognising the problems involved in the tying procedure, the committee appointed by the government of India in 1964, advocated that 'a further increase in the share of non-project aid will speed up utilisation, promote the efficient use of industrial capacity in the country and secure a larger quantum of import with a given amount of external assistance.' In spite of these arguments the trend in India is towards an increase in the proportion of project aid. The share of loans tied to projects has increased from 17 per cent in 1968-69 to 46 per cent in 1969-70, 60 per cent in 1971-72 and of the total loan authorisation of Rs 1760 crores in 1975-76, 64 per cent represented project loans. IBRD/IDA increased their loan authorisation for specific projects such as agriculture, rural development, railways and fertilizer projects from Rs 404 crores in 1974-75 to Rs 538 crores in 1975-76, reducing at the same time the authorisation of non-project loans by Rs 113 crores from Rs 263 crores to Rs 150 crores. A large proportion of the loans authorised by OPEC also were for specific projects, in the result, the share of project loans in the total loans authorised increased over the years.[20]

However, the real nature of the problem of repayment is not revealed only by the size of the burden of repayment. Increase in the service payments have to be measured against the capacity of the borrowing country. The ratio of external debt servicing to national income, to government revenue and to exports or total foreign exchange earnings have been generally used to express the capacity of external debt servicing.

The ratio of debt service to national income as shown in Table V increased from 0.07 per cent in 1955-56 to 0.7 per cent in 1965.66, to one per cent in 1969-70 and further increased to as high as 1.13 per cent[21] in 1975-76. However, the above trend seems to be neither unbearable nor is expected to become so in future. Besides it gives no clue by itself to the limit of the debt servicing capacity. It only indicates to what extent debt servicing in any year compared to any of the earlier years has increased. The ratio becomes meaningful if we could compare this with the ratio of the contribution made by foreign assistance to national income. But the data are not available at present.

TABLE V

External Debt Service and National Income

(Rs in crores)

Period	Total debt service	National Income	Debt service as percent of national income
During the first Plan	23.8	49660	0.047
1955-56	6.55	9980	0.07
1960-61	41.58	13308	0.3
1965-66	159.82	20586	0.7
1970-71	450.00	34476	1.83
1974-75	626.00	60120	1.04
1975-76	686.3	60293	1.13

Source: Report on Currency and Finance, RBI, Bombay, 1960-61 and 1975-76 and government of India, Economic Survey, 1955-56, 1975-76 and 1976-77.

Further, the proportion of government revenue absorbed by debt services did not show much change between 1952-53 and 1958-59, fluctuating only slightly. Since 1960-61 the percentage increased markedly by amounting to 29.3 per cent of the total tax revenue in 1970-71, but declined to 7.04 per cent in 1975-76 (Table VI).

fiscal effort

This indicates that the magnitude of fiscal effort needed to service the debt is quite big. However, external debt services are to be met out of external earnings, the rate of debt services to government revenue only indicates the budgetary problem involved in debt servicing.[22]

Finally the important consideration for measuring the debt servicing capacity is the rate of growth of export earnings and the proportion of export earnings absorbed by debt services. Export earnings reflect a country's capacity to transform domestic resources into foreign exchange and if a large percentage of it goes to service the debt, it effects the country's flexibility in the use of exchange earnings. Thus, one essential condition for the satisfactory servicing of external debt without impeding the process of growth is the continuous rise in the export earnings. So the debt servicing capacity depends ultimately on export surplus of the country.

The ratio of debt services to export earnings which averaged to about one per cent during the first Plan, increased to 20.4 per cent in 1965-66 and further to 29.8 per cent in 1971-72, and came down to 18.0 per cent in 1975-76, but recently increased to 21.15 per cent in 1976-77

However, the experience of many countries in developing stages has shown very high ratio without inducement to default. Columbia had a ratio of 12 per cent in 1955-56, 17 per cent in 1957, 36 per cent in 1959 and 50 per cent in 1963. So, as Auromic observes, the significance of this ratio for long run analysis of debt servicing capacity is virtually nil.[23] But it does not mean that in India the ratio may be allowed to rise in comparison with other countries. The rising balance of payments problems indicate that the government should try to avoid any further increase in the outflow of foreign exchange on account of debt servicing.

The foregoing discussion of the problem of external debt servicing of India suggests that easing the problem of debt servicing and making use of further external borrowing to speed up the economic development of the economy would depend upon several measures.

The first and the foremost measure to lighten the burden of debt servicing is to achieve rapid improvement in export promotion through which we may acquire sufficient foreign exchange to repay the debt. Rise in the exports depends on two conditions, first, increase in the production of export commodities and next increase in the competitive position of these exports in the world market.[24]

The developed countries prefer more sophisticated manufactured goods and due to this there is limited scope for increasing our exports to the developed countries. One way of meeting the debt servicing problem when export promotion in the normal way is extremely difficult would be to use debt services as an aid to export promotion.[25] The creditor developed countries should receive the interest and principal in kind, i.e. in the form of Indian goods. If they do not need the less sophisticated Indian goods for their own use, such goods may be supplied by them to other developing countries to which Indian goods may be of help in promoting the development of their economies. In other words a sort of tied repayment may be managed. There is every justification for a tied repayment scheme at least in respect of tied loans which India has received. Such a scheme would go a long way in easing the burden of external debt servicing.[26]

We should try to receive loans on very soft terms in order to ease the burden of debt servicing. Hard loans can hardly meet the requirements of our economy. If we receive loans with high interest rates and short maturity periods are secured, after only a few years repayment would be in excess of the receipts of aid and the debtor country would not be able to utilise aid for financing development. Recognising the burden of debt servicing in India, it is heartening to note that recently lending countries/institutions are showing greater awareness of the debt service problem.[27] The loans granted by Aid India Consortium for 1965-66 carry low interest rate and repayment is spread over 25 years or more. The recent loans granted by the UK are on very soft terms. The IDA also granted loans comparatively on soft terms but its resources are not sufficient to lend to India or any developing countries. Thus, developed countries must increase the resources of IDA. The World Bank's loans are extended on hard terms. It has not recognised the fact that India needed larger aid on easy terms to solve the debt servicing problem.

maturity period

Efforts have already been made to lengthen the maturity period for solving the debt servicing burden. Over the last decade or so, the maturity period of loans from West Germany increased from 3-15 years to 25 years, those from the UK from 6½-20 years to 25 years and from Canada and Japan from about 10 years period to 50 years and 10-18 years, respectively. Loans from the USSR continued to be generally for 12 years. This trend towards elongation of maturity period is reflected in the rise in the repayment schedule of loans from the DAC countries from 24-5 years for loans granted in 1962 to 28-4 years for loans in 1969. Besides, most of the countries are providing for grace period in their loan agreements, i.e. interest and amortization start at the end of such a grace period. A few loans authorised during 1969-70 carry longer grace period. In the case or German loans, the grace period was extended from seven years to eight years and the maturity period was extended from 25 to 30 years and the Netherlands and Belgium increased the maturity period from 26 to 30 years and from 24 to 29 years respectively.[28]

Further, external debt servicing capacity may be strengthened not only by export promotion but also by import substitution. Though India has been producing some import substitute commodities, they have not been sufficient enough to improve the balance of payments position.

Speedy utilisation of external loan is of utmost importance if the debt servicing

TABLE VI

External Debt Service, Government Revenue and Export

(Rs in crores)

Period	Total debt services	Govt. revenue through taxes	Total exports	Debt services as per cent of govt. revenue	Debt services as per cent of total export
1955-56	6.53	411.47	640.2	1.4	1.09
1960-61	41.58	730.14	630.5	5.6	6.7
1965 66	159.82	1784.62	783.3	8.9	20.4
1970-71	450.00	3260.60	1535.16	29.3	13.4
1974-75	626.00	9260.00	3304.1	6.7	18.9
1975-76	700.0	9934.0	3941.62	7.04	18.0
1976-77	760.0*	11773.0	3546.5**	6.4	21.15

*Estimates **April to December

Source: Report on Currency and Finance, RBI, Bombay, 1955-56 to 1975-76 and Economic Survey, Govt of India 1960-61 and 1975-76

capacity is to be strengthened. From this point of view, it is necessary, in the first place, to have a more detailed project analysis and project planning in respect of project tied loans and second to get a larger amount of non-project loans. The requirements of the projects should be carefully worked out so that there may not be any delay in securing them from outside. Delay in the utilisation of external assistance is largely due to administration's handicaps.[29]

export promotion

The problem of debt servicing may be lightened by export promotion, import substitution, elongation of the repayment scheduled, lowering the rate of interest etc. However, the immediate problem is how to meet the present repayment obligations when the balance of repayments position is too weak to permit of any repayment. When the country is faced with a heavy burden of repayment, it has to make a choice between persistent default, reborrowing and unilateral moratorium. Debt renegotiation may serve to improve and gradually restore the credit of a country that is in serious difficulties in meeting its obligations and enable the debtor to avoid a default with its damaging efforts on the international credit structure.[30]

India has received debt relief assistance from the creditor countries and the World Bank in the form of refinancing credits, postponement of payments, interest reduction and grants for interest relief.

Debt relief authorised during the year amounted to Rs 94 crores or 19 per cent lower than in 1974-75. Relief in the form of debt refinancing credits, which used to form the bulk of the relief in the past, declined by more than half to Rs 41 crores mainly because (i) the USA, which provided relief of this form to the extent of Rs 34 crores in 1974-75, did not provide any such relief this year, and (ii) the UK which normally provided relief in the form of refinancing credits, extended the relief in the shape of outright grants. As usual, Japan provided relief in the form of rescheduling/postponement of payments for about the same quantum as in the previous year (Rs 25 crores). The relief provided by way of grants, which was less than a crore of rupees in 1974-75, increased to as much as Rs 27 crores primarily due to the relief granted by the UK (Rs 20 crores) and the Netherlands (Rs 5 crores).[30]

It is clear from the foregoing analysis that the growing external public debt has created the external debt-servicing problem of a severe nature. This is mainly because of the fact that the term of loans such as rates of interest, repayment period and mode of repayment have not been favourable to the Indian economy which is still in the early stage of economic development. The indicators of the debt servicing burden, viz the ratio of debt services to tax revenues, the ratio of debt services to export earnings and the ratio of debt services to national income indicate that the burden of the external debt services is very heavy. Since it is inevitable to rely on external aid at the present stages of India's economic development, further borrowing should be on liberal terms. It is gratifying that the lending countries have recognised the need for longer terms of loans. The government of India should try to secure loans on more liberal terms and to acquire the necessary debt-servicing capacity by promoting exports, linking of debt services to exports, import substitution and more than all by enlarging the absorptive capacity of the Indian economy.

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27. The Pearson Commission recommended the meaningful terms of aid as follows: Rate of Interest not more than 2 per cent. Maturity period 24 to 40 years. Grace period—7 to 10 years.

28. See the Report on Currency and Finance, 1969-70, p 47.

29. Srekantaradhya, BS, op. cit., p 206.

30. Report on Currency and Finance, 1975-76. p 215.

Rural Asia's progress needs 'hard decisions'

"Progress in eliminating poverty and a meaningful revitalisation of economic life in rural Asia" will depend upon hard decisions taken now by governments and donor aid agencies, according to the Second Asian Agricultural Survey, completed recently by the Asian Development Bank. The survey, subtitled "Rural Asia: Challenge and Opportunity"—running into nearly 500 pages—was carried out by a task force of international development experts at the Bank's request. It is now under study by member governments and the Bank, for suitable follow-up action.

THE URGENCY of decisive action on the problems of agricultural production and rural development is underlined by some disturbing findings in the second Asian Agricultural Survey, recently completed by the Asian Development Bank, the following among others:

- For the region as a whole, food production growth has barely kept pace with population expansion and in the case of some countries, per capita cereal production actually fell over the past decade.
- In most of the Bank's developing member countries (DMCs) most people are eating at a nutritional level below that required for normal health.
- While the new agricultural technologies have increased output, the rural population has not been given much share in the benefits, so that poverty persists.
- The region as a whole could have a deficit of rice, wheat and maize ranging from 24 to 30 million metric tons by 1985. Even with optimistic assumptions about future conditions, the deficit could still be as much as 15 million tons. Projections of unemployment by 1985 for six of the Bank's DMCs range from 10 per cent to as high as 20 per cent.

The study presents a package of policy recommendations for implementation by national governments and aid agencies which are seen as essential to the solution of critical problems in Asia's agricultural and rural economy over the next 10 years. The survey gives special attention to the interlinked problems of poverty, unemployment and underemployment in the rural areas of the Bank's DMCs.

Priority in the survey is placed on tracing the origins of problems relating to the level of effective demand for foodgrains, employment, the distribution of ownership of productive assets and income, and linkages between the agricultural and non-agricultural sectors of the economy. The performance of the "new" foodgrain production technology and the nature of institutional constraints which operated on this during the past decade are also discussed and the agricultural experiences of DMCs evaluated in terms of links to the international economy through foreign trade. Lastly, aspects of government policies towards agriculture during the past decade are reviewed.

WINDOW ON THE WORLD

The Food Problem, Unemployment and Poverty: To a large extent the fast growth of population has prevented significant per capita gains in food production from accompanying the otherwise satisfactory growth rates of total food production realised in several DMCs.

Furthermore, there is little expectation of a major decline in the population growth rate in the foreseeable future.

elusive goal

For the region as a whole, food production growth has barely kept pace with population growth, and in some countries, despite the introduction of the new foodgrain technology, per capita cereal production actually fell during the past decade. Substantial year-to-year fluctuations in agricultural production, due mainly to weather, have aggravated the situation. The international community has not yet developed a dependable system of global food reserves, and individual countries have continued to pursue the elusive goal of foodgrains self-sufficiency. Overall, the most optimistic view which can be taken of the food situation is that the region is not much worse off now than at the time of the first Asian Agricultural Survey.

Food consumption patterns have changed little during the last ten years. The average per capita energy intake remains at close to 2,000 calories per day in most DMCs, indicating that the bulk of the population does not consume the minimum dietary requirements for normal health.

The majority of households in many DMCs lack even the purchasing power to obtain an adequate diet. This has acted as a dampener on long-run production efforts.

Although the introduction of superior

agricultural technologies has increased output, the rural population has not been given much share in the benefits. Poverty therefore persists, its incidence being closely related to unemployment and unequal income distribution. Though the share of the labour force in agriculture has declined in virtually all countries, it still remained in 1975 at more than two-thirds of the total in 10 out of 15 DMCs. The underemployed labour force in the rural economy is large and growing larger while the migration of rural workers is swelling the ranks of the urban unemployed.

Real wages in most areas of most of the Bank's DMCs have either remained static over the past decade or declined. The rapid growth of the landless labour force has maintained a downward pressure on rural wages, and the high rates of inflation in the 1970s further eroded their real purchasing power.

The ability of agriculture to absorb increases in the rural work force of the orders of magnitude that occurred during the past decade, and which are implied by projections of future labour force growth, is limited.

Efforts have been made in several countries to provide rural off-farm employment opportunities in public infrastructure building. So far, however, the results of rural works programmes have not been encouraging in terms of a measurable impact on underemployment.

rapid diffusion

During the past decade, there has been a rapid diffusion of agricultural innovations, both mechanical and non-mechanical, in many parts of the region. The effect on employment has been mixed. In general, the mechanical technology, particularly that involving the use of tractors, reapers and threshers, has been labour-displacing, while the non-mechanical technology, such as the new seed-fertilizer technology, appears to have increased the demand for labour.

Overall, the impaet of the "green revolution" on aggregate employment has probably been very modest in most areas.

Irrigation exerts a significant positive impact on agricultural employment and in this respect it can be argued that it deserves more emphasis than any other single investment activity. However, about 80 per cent of all agriculture in the DMCs depends upon direct rainfall, and it is in these areas that the failure to develop higher yielding technologies in the past has exacted the highest opportunity cost in terms of employment foregone.

widespread poverty

Rural poverty is thus particularly widespread in the DMCs and there is a general consensus that the problem has worsened considerably in the past decade. In most DMCs the lowest 40 per cent of the people receive less than 20 per cent of the income. However, there is, in most cases, no evidence of increasing inequality during the past decade.

Technological Change and Rural Institutions : Perhaps the most significant development in agriculture in South and Southeast Asia during the past decade has been the shift from traditional agriculture to modern agriculture using science-based technologies. This has been epitomised by the adoption of new, fertilizer-responsive varieties of rice and wheat. These high-yielding varieties have spread to cover a quarter of the rice area and over half of the wheat area.

Rice is the most widely grown of the cereal grains, occupying about one-third of the cultivated land area. Yields in South and Southeast Asia are generally well below those in East Asia. East Asian countries, which encountered a land constraint in the early part of the century, have long been exploiting the potential for better farm productivity through irrigation development and the application of science-based technologies. However, by the early 1960s, there was very little land available in the rest of Asia also which could be developed for intensive rice farming at reasonable cost.

The performance of the new seed-fertilizer technology has varied widely among countries. In Pakistan, where the dry climate and adequate irrigation water favoured the new technology, growth in yield has exceeded six per cent per annum. However, in Thailand and Burma—traditional rice exporters—yield gains averaged less than one per cent per annum due to uncontrolled water conditions during the monsoon which prevented the widespread adoption of the new varieties available. In a number of countries including Indonesia, Malaysia, the Philippines and Sri Lanka, a fairly rapid growth in output has been achieved through the complementary effect of irrigation development and increased use of new varieties and fertilizer.

The introduction of the high-yielding varieties of wheat has had quite a different impact. The rates of increase in wheat production in Pakistan and India have been particularly impressive, and reflect the combined effect of expansion in area and yield. Maize is an important crop in several DMCs, but there has been no major technological breakthrough in maize production—downy mildew continues to be a major constraint to increases in yield.

A number of non-food crops, particularly those produced for export, have benefited in terms of yield gains from recent improvements in plant types and cultivation techniques. These include cotton, oil palm, rubber and sugarcane. On the other hand, copra, jute and tea yields have shown no change over the decade.

fertilizer use

Research and development on new technology can be classified under three heads: (i) biological-chemical, (ii) hydrological, and (iii) mechanical. Gains in yield and the expansion of the double cropped area are due to the first two types of development. All DMCs greatly increased the use of fertilizers during the last ten years—though the inter-country variation in the levels of per hectare application is wide. Several were forced to reduce fertilizer use in the early 1970s, however, when prices rose sharply and world supplies became restricted. The research effort into ways of using alternative sources of nitrogen supply has been increased, but for the next decade or two the dependence on chemical fertilizer is likely to increase. Fortunately it appears that fertilizer supplies will be adequate.

Irrigation is as important as fertilizer as a source of added output for growth,

particularly in the case of rice and wheat. Indeed, the increased use of diesel engines and electric motors to lift water represents the most significant expansion in the use of mechanical technology in agriculture. As with fertilizer, however, poor management practices to date have resulted in the extremely inefficient use of irrigation. Furthermore, as the more suitable areas become irrigated, the cost of irrigation, expansion is likely to rise over time. With regard to mechanical draft power, there is little evidence that tractor mechanisation *per se* has much effect on crop yields, whereas the evidence regarding the ability of tractors to intensify cropping systems overall is mixed. The production-increasing potential of mechanical technology in general has yet to be fully realised because this type of technology frequently depends upon good water control.

major problems

There continues to be a substantial gap between yields obtained at the experiment station and those in farmers' fields. A major problem appears to be a lack of properly trained operators, and an inability to organise farmers and rural workers so that the potential for higher level of production efficiency and employment can be realised. The introduction of modern technology in agriculture, with its relatively high requirement for purchased inputs, has increased the need for agricultural credit. Although governments in general have recognised this, their attempts to develop viable credit schemes for small farmers have not been very successful; and there is sufficient evidence to show that the bulk of institutional credit in rural areas still goes to large farmers.

Access to land is an important institutional constraint to realising the technological potential of agriculture, and control over its use is closely correlated with the ability to command other production inputs and facilities. The most striking feature in the distribution of operational holdings, though, is not so much the degree of dispersion as the fact that there are a large number of farms which are very small. In Bangladesh, India and Indonesia, over half of all holdings are of one hectare or less.

The post-war land reforms carried out in East Asia contributed to the mobilisation of labour and rural savings, and undoubtedly raised the level of effective demand for food and other goods among the beneficiaries. In the rest of Asia, however, land reforms have been far less successful. These were mainly frustrated because governments either lacked the necessary political will or they lacked the administrative capacity to enact and implement the programmes properly. The areas covered under these reforms were generally too small to have much impact on the pattern of agricultural holdings, and without adequate support in terms of input and credit delivery, product marketing and extension services, their productivity objectives could not be realised.

Dietary Energy Supply, 1969-70[1]

Country	Calories per capita per day	Percentage of requirements[2]
Afghanistan	1970	81
Bangladesh	1840	80
Burma	2210	102
Korea	2520	107
India	2070	94
Indonesia	1790	83
Malaysia (West)	2460	110
Nepal	2080	95
Pakistan	2160	93
Philippines	1940	86
Sri Lanka	2170	98
Thailand	2560	115

1Total food. including fish,
2Revised Standards.
Source: United Nations World Food Conference, Rome, 5-16 November 1974, Assessment of the World Food Situation Present and Future, pp. 53-54.

Intersectoral Interaction and Developments in Agricultural Foreign Trade: The pace of economic development is determined in large measure by the degree of intersectoral interaction. These intersectoral linkages—which are manifested in (i) the supply of agricultural products to the non-agricultural sector (for consumption or export in more processed form), (ii) the supply of non-agricultural products to the agricultural sector (agricultural inputs and goods consumed by households dependent on agriculture), and (iii) the intersectoral flow of labour and capital resources in either direction—are generally weak. This reflects the dependence of many DMCs on imports both for meeting several essential consumption items and also for obtaining intermediate and capital goods as well as technology to expand their productive capacity. Intensifying the degree of interaction in the domestic economy is essential if growth impulses originating in one sector are to be transmitted to other sectors, but the present industrial structure and foreign trade patterns in several DMCs tend to work against this.

In countries for which data are available, there is a remarkable consistency in the patterns of rural consumption expenditure. About 60 per cent of household budgets are spent on food, 20 to 25 per cent on non-food items and the rest on services. This shows the relatively low buying power of the rural population and the lack of effective demand both for agricultural and for non-agricultural output which it implies. There has been no appreciable change in these expenditure patterns since the mid-1960s. It is the failure of the rural consumption link to develop (this being a function of poverty) which mainly constrained the development of stronger growth linkages between agriculture and non-agriculture.

magnitude of savings

It is not easy to determine the magnitude of savings transfers from one sector to another, because many of these transfers are indirect. Adequate information about visible transfers can be obtained for the Republic of China and Korea, though, and these sources yield several useful insights. Reliable information is not available for other DMCs, but the implication of the East Asian experience is that until major institutional changes are made, particularly involving land ownership and the functioning of financial institutions in rural areas, a high

degree of resource mobilisation is unlikely to occur.

The causes of weak intersectoral linkages generally found in most DMCs appear to be influenced by three main factors: (i) participation in productivity gains made possible by the new agricultural technology was not sufficiently broad-based in the agricultural sector; (ii) the extent of poverty remained large in rural areas; (iii) the import dependence of the high growth, non-agricultural sectors in some countries remained high during the decade. In areas where the new planting materials were successfully introduced, the operating institutions ensured that a disproportionately large share of the gains went to the largest farmers and landowners. Though it is scale-neutral, the new technology essentially did nothing to curtail the growing number of landless labourers. Population growth, a general decline in real agricultural wages, increased rural unemployment and underemployment further constrained the growth of rural household income. Thus low effective demand for food among the mass of the people dampened the incentive to increase agricultural production on the scale required. As a result, the agricultural demand for production inputs from non-agriculture was not strong, nor was the rural demand for non-agricultural consumer products.

retarding factor

A growing import dependence for machinery, spare parts and agro-chemicals similarly retarded the development of stronger intersectoral interaction in some DMCs because of the drain that it placed on the availability of foreign exchange. It seems that development strategies must seek to strengthen intersectoral interaction in general before self-sustaining and stable growth can be achieved. It must encompass all sectors of an economy including both agriculture and the rural household sector.

Trade relationships with other countries are as important as domestic linkages among sectors in many DMCs, particularly the smaller ones, in terms of the impact on the rate and pattern of economic development.

The DMCs vary regarding the degree to which they are trade-oriented, but during the last decade the importance of trade in their economies has either remained the same or declined. Similarly, in most countries, the importance of exports in total agricultural output has also fallen. In the early 1970s, through, the value of agricultural exports still exceeded that of agricultural imports (both products and inputs) in the majority of DMCs. In physical terms, exports of the major agricultural commodities only grew in about half the DMCs during the last decade; and the greater part of the increase in export values was accounted for by the commodity price boom during 1973 and 1974. Most DMCs were able to diversify their agricultural export mix during the past decade and reduce their reliance on one or two commodities only.

substantial gains

Those countries which experienced positive growth in agricultural exports also achieved relatively rapid growth in cereal production, total agricultural output and Gross Domestic Product (GDP). Conversely, those countries with falling export trends generally experienced relatively low growth by all three measures. Expansion of agriculture into overseas markets was associated with increasing production efficiency in the commodities involved. Countries successful in promoting exports were also those which achieved the most substantial gains in productivity and output in commodities destined for the domestic market.

As far as agriculture's contribution to economic vulnerability is concerned, the situation has probably improved since the mid-1960.

Government Policies: During the past decade, governments in Asia took an increasingly active role in directing the course of agricultural production and influencing the level and distribution of agricultural income. Though agriculture claimed a relatively small share of total government outlays, in very few countries did government expenditure as a proportion of GDP fall.

Growing government intervention has been largely aimed at infrastructure creation via direct expenditures on project development and policies to regulate the production and disposal of foodgrains and major export crops. Investments in irrigation generally increased as a percentage of public capital expenditure during the decade, and a shift towards more intensive development of the irrigation service area of the various projects was noted.

general agreement

There was generally agreement among policy-makers in the DMCs on the basic objectives of price policies, and there was a widepread desire for food self-sufficiency. In many DMCs, favourable farm-level prices were encouraged to promote the rapid adoption of new technology. It was recognised, however, that food had to be available to consumers at reasonable prices. Governments' interventions in the foodgrains markets for these purposes varid in extent, but tended to concentrate on food procurement, distribution and price regulation. Food procurement, either from foreign or domestic producers, was used to defend ceiling prices for consumers and to support floor prices for producers. By and large, because of the high costs involved in such operations, governments have tended to tolerate price movements over wide ranges. Recognising the important contribution which fertilizer could made to increased foodgrain production, many governments during the past decade became involved in fertilizer procurement, distribution, and pricing which also proved to be a costly operation. Some DMCs initiated programmes to provide domestic production capacity, but the priority has since been down graded now that fertilizer prices have fallen considerably from their levels in the early 1970s.

The impression gained from the experiences of the past decade is that many government programmes were worked out as responses to short-term situations and insufficient consideration was given to assessing the implications for long-run orientation of policy.

This section of the survey discusses the results of a projection exercise undertaken to provide indications of the nature and relative magnitude of pressures in

ee critical areas of the economic sys- n which will be among the major con- ns preoccupying DMC governments ring the coming decade. These pres- es relate to, (i) the capacity of domestic riculture to provide food relative to th consumption needs and demands,) the ability of agricultural to absorb oor relative to the workforce available rural employment, and (iii) the pros- cts in the agricultural sector for earning d saving foreign exchange relative to port requirements.

Cereal Consumption and Production: present, average energy intakes in ur out of five of the DMCs in the South ia sub-region are seriously deficient. ailable data also show that at least ee countries in Southeast Asia are ficient with regard to energy supplies. e high proportion of dietary energy at comes from cereals means that clos- the nutrition gap essentially means increase in the amount of cereal eaten these DMCs. Average intake figures, wever, mark the nutritional deficiencies fered by those sections of the popula- n which consume fewer calories than e average level due to serious inequali- s in the food expenditure distributions.

'high-growth' projections

Cereal supply projections are based on assessment of the increases in cropped eas and yields which appear to be feasi- , and substantial efforts were made to ply available knowledge, mobilise res- rces, overcome institutional obstacles d appropriately adjust domestic policies order to realise maximum growth in the oduction of agricultural commodities. ese "high growth" projections are thus assessment of production capacity, and not represent simple extrapolation of st trends in supply. However, since projected growth rates in cereal sup- often exceed what has been achieved ring the past decade in the DMCs, an ernative "low growth" variant is also d which assumes a much lower rate of rease in yields.

The effects on demand of different es of growth in agricultural supply d hence income) are taken into ac- nt. Comparison of these demand and ply projections indicate the kinds of cereal deficit or surplus situations which could emerge in individual DMCs during the next decade and would be manifested in trade movements and price changes.

The results suggest that the region as a whole could have a substantial supply-demand deficit in rice, wheat and maize by 1985, possibly ranging from 24 to 30 million metric tons. Exceptionally good production performance of the order assumed in the "high growth" projections, might have the stze of this deficit. However, even if these deficits could be made up by imports this would not guarantee that the poor would receive an adequate energy intake in most DMCs.

Domestic Production as a Percentage of Total Cereal Consumption, 1963-67 to 1970-74

Country	Production/Consumption	
	1963-64	1970-74
	(per cent)	
South Asia		
Afghanistan	96.9	95.5
Bangladesh	93.8	89.2
India	91.4	97.1
Nepal	113.1	108.9
Pakistan	93.3	99.6
Sri Lanka	45.4	56.7
Southeast Asia		
Burma	131.2	119.1
Indonesia	94.3	92.5
Malaysia (West)	56.2	66.5
Philippines	85·1	87.2
Thailand	139.3	133.4
East Asia		
China, Republic of	95.0	61.2
Korea, Republic of	90.0	69.7

Source: FAO Production Yearbooks, various issues, and unpublished FAO material.

The Outlook for Employment: Providing more opportunities for productive employment will be the only possible way of relieving poverty in the DMCs in the foreseeable future. The slow rate at which population control programmes are taking hold means that employment strategies which are effective in the short and medium term are essential if further deterioration in the employment and poverty situation is to be prevented. Projections based on data from the International Labour Office indicate that the total labour force of all DMCs covered in the survey could increase by over 25 per cent between 1975 and 1985, with India alone accounting for 44 per cent of the total number of new entrants to the labour force. Creation of work opportunities for new workforce entrants, however, does not represent the whole of the task ahead since jobs must also be provided for those who currently are out of work or cannot obtain enough work.

residual absorber

The projections in the survey are based on the principle that the agricultural sector is the residual absorber of labour in the economy, and on the assumption that sectoral employment-output relationships which obtained in the past will continue to hold in the coming decade.

Employment projections could be made for only six DMCs due to data limitations. The results indicate situations of emerging labour shortage in Malaysia and Korea, and continuing labour shortage in the Republic of China. An entirely different pattern is projected for the other three countries studied, Burma, the Philippines and Sri Lanka. For these (which more closely represent the kind of situation prevailing in the remaining DMCs than do Malaysia and the East Asian countries) the indications are that serious difficulties in generating sufficient employment will continue to be encountered in the coming decade. Even under conditions of relatively rapid economic growth, the unemployment rate in these countries could still be over 10 per cent in 1985 unless the labour absorption capacity of both agricultural and non-agricul tural activity is substantially improved. In a situation of lower growth, more in line with experience during the past decade, the unemployment rate could be over 15 per cent, perhaps even over 20 per cent by the end of the coming decade.

Other studies suggest that the barter

terms of trade for nearly all the DMCs major agricultural export commodities could move against them during the coming decade, with some of the most severe declines being in the prices of commodities which suffered a similar fate in the past ten years. Projections of the availability for export of those agricultural commodities which currently dominate agricultural trade in the region suggest that the kind of export growth rate realised in the past decade might be harder to achieve during the next. With regard to the capacity of the agricultural sector to "pay" for the economy's imports, it appears that the production and price prospects will combine to diminish this capability considerably in a number of DMCs.

elements of strategy

The broad objectives for Asian agricultural and rural development during the next decade are clear:

(i) the rate of growth in agricultural output must be accelerated considerably;

(ii) this has to be done in a manner which allows the small and currently marginal farmers to contribute to, and benefit from, this growth;

(iii) wage paid employment or supplementary occupations in both farm and non-farm activity have to be provided for the substantial and growing number of rural workers who do not have a viable production base, i.e. the landless labourers and farmers with tiny holdings, the unemployed and underemployed, and many of the new labour force entrants during the next decade;

(iv) links between agricultural and non-agricultural sectors have to be strengthened so that growth in these sectors becomes mutually reinforcing; and

(v) the production and trade in agricultural commodities must be so organised that the DMCs economies can share in global increases in productivity and income, and at the same time be more adequately safeguarded from the vulnerability characteristic of involvement in international trade.

Many of the factors which will determine the success with which these goals can be achieved lie beyond the control of the DMCs, even as a group, yet there clearly are also crucial areas of policy and action which lie within their competence.

In this section emphasis is placed on the need either to realign institutions with the technologies available in rural areas, or to create new institutions where necessary, in order to facilitate rapid increase in productive employment opportunities and to reduce poverty.

The misalignment of institutions has in the past led to pervasive factor market imperfections, constraints on the mobilisation of resources. natural and investible (including labour), limitations on the generation of effective demand, and obstacles in the way of providing more employment. In the future, increased government participation in the mobilisation of resources will be required to support a strategy to correct this; at the same time without considerable decentralisation of decision-making, particularly regarding the allocation of expenditures, successful implementation of such a strategy will fail.

Rural Development: In the countries of the region for which relevant data are available, 355 million people in all are living below the poverty line according to recent estimates.

The large proportion of poor people in the total population and their undiminished numbers over time calls for a reorientation of rural development activity.

essential objectives

A rural development programme should have two essential objectives: to increase the productivity of the rural poor, and to ensure their full participation in planning and executing the programme.

The wide discrepancies between previous intentions and past performance in rural development has been primarily due to lack of commitment at the top. Efforts are seldom made to ensure that national policy goals are really aligned with rural development programme targets. Programmes oriented towards economic betterment of the poor have also been handicapped by substantial knowledge gaps—in particular, the capacity of indigenous rural institutions to deliver goods and services to the poorer sections of society are rarely assessed before poverty-redressal programmes are lunched. Overall, the chances of success or failure in achieving stated objectives hinge on crucial details rather than on grand designs, and it is essential that programmes are adapted to local, social and cultural realities.

implementing programmes

Successful implementation of rural development programmes requires: (i) careful selection of areas for project location; (ii) identification of target groups of beneficiaries; (iii) careful consideration regarding the sequencing and phasing of activities; and (iv) identification of appropriate institutions, organisations and services to support the programme. Locational decisions should be based on classification of areas according to the nature of resource constraints. Target beneficiaries should be identified according to the economic base of the various groups in rural areas. With regard to programme activity, agricultural development will comprise the central economic component of most programmes. In the past, however, there has been a tendency to concentrate on crop agriculture to the exclusion of other activities. Finally, schemes should not be too ambitious or so complex that they cannot be handled by the local leadership or administration.

Organisational problems may be encountered where various forms of patron-client relationships between different rural groups remain strong. The dependence of small farmers, agricultural labourers and craftsmen on large farmers is still quite significant in many parts of the region. The negative effects of such hierarchial structures on rural development programmes can be neutralised only by effective horizontal groupings of the smaller farmers and labourers. But to be effective, these groupings must expand the opportunities for gainful employment, or effect measurable economies in the existing pattern of resource use, for the groups involved.

Semi-spontaneous, small, primary organisations operating on the basis of direct participation and serving well-define

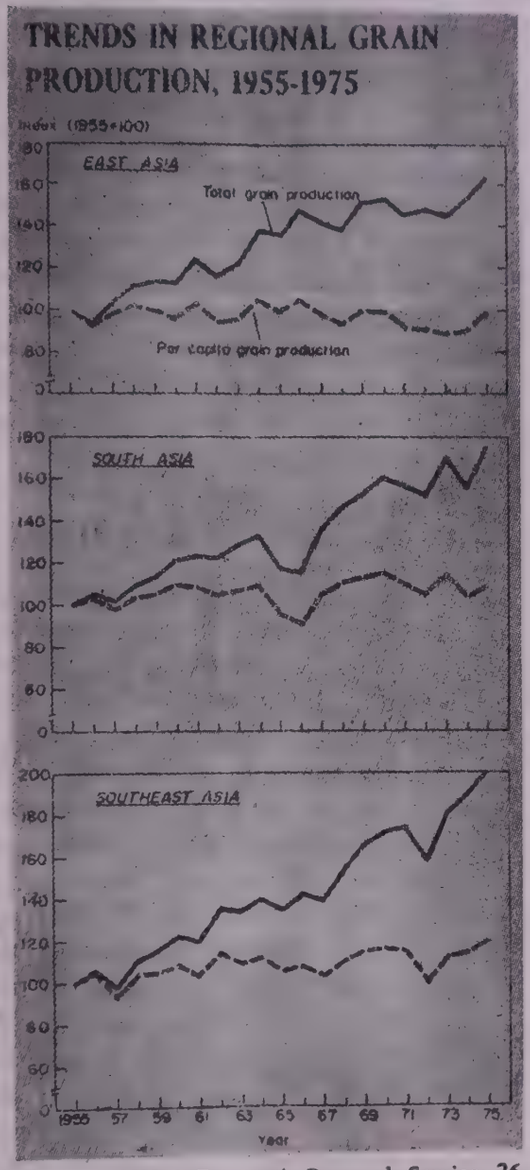
ommon interests, are more likely to sure member loyalty than large formal operatives which encompass a large umber of functions. The effectiveness f the local level bureaucracy is critical ere, but in the past the differentiation of oles between local bodies and the posted epartmental officials has not always been lear. Efficient organisation in the future ill depend upon ways of combining the olitical goals of local self-government ith the satisfactory management of in-reasingly technical programmes.

Land Reform: Given the central role hich land ownership plays in the politi-al economy of the rural sector, land eform as a component of institutional hange assumes special significance. ypical weaknesses of land reform pro-rammes are (i) lack of serious commit-ent at the top, (ii) poor technical design f enactmeats, (iii) failure to provide the ecessary supporting services to benefi-iaries, and (iv) most importantly, the ack of organisation among the bene-iciaries.

potential gains

The potential gains in productivity rom implementing land reform are not et well appreciated. There is, though, nough evidence to show that smallhold-ngs achieve higher per hectare producti-ity compared with large holdings with raditional technology, mainly due to nore intensive use of labour. With the ntroduction of new technology and its greater requirements for purchased inputs, he association between size of holdings nd productivity level is not clear-cut. However, the reasons for this relate to he functioning of factor markets and he better access to inputs enjoyed by the arge landholders, and not to inherent production efficiencies *per se* on large farms.

In some areas, production continues to e organised along essentially feudal lines. Activities in product, credit, and labour including tenant) markets do not encom-pass distinct transactions and are subject o the ultimate and conjoint control of ural elites whose super-ordinate position lerives from control over land and access o capital. Since the feudal motivation is o maintain a relative social position so that the system endures, pre-emption of, or active resistance to, productive tech-nical and institutional innovations can result in these circumstances. If the "externalities" created by public efforts are to reach the rural population, it must be ensured that small operators have an



Source: USDA Economic Research Service, *26 Years of World Cereal Statistics;* UN *Demographic Yearbook;* FAO *Production Yearbook.*

effective and controlling voice in local planning units and cooperatives, but in highly differentiated socio-economic structures, this is hardly a realistic proposition.

A second justification for land reform is its social levelling effect. The fact that a small and well-defined elite could lose their claims to the major assets from which their dominant position in economic matters has been established, would help to satisfy the "equity urge" among the rural poor. From a broader point of view, land reform would encourage a more balanced social ordering in rural areas, so that the promise and opportunity for economic mobility becomes more real—even to the landless.

A prerequisite for the success of a land reform programme is the organisation of beneficiaries. One way to do this is to conduct an educational campaign informing them of their rights and obligation as proposed in the new situation. The objectives of the land reform must also be clear. Frequently the land ceilings are placed so high that they make hardly any impact in correcting the skewness of distribution and too little land is released as surplus. This undermines the government's credibility among the poor, and at the same time creates a sense of uncertainty among the rich In most countries of the region also, exemption is granted to nearly all non-rice lands, particularly those under plantation crops. This cannot be generally defended on productivity grounds, since some countries have demonstrated that efficiency gains on small-scale plantations can be rapid if appropriately backed up by research and extension. Finally, there must be an adequate degree of administrative preparedness for land reform on the part of government. A typical weakness in many countries is the inadequacy of land records, but this is largely a question of proper organisation of existing statistical systems.

land reforms

An argument frequently advanced for proceeding slowly with land reforms relates to financial burden of compensating landlords. A redistributive land reform must involve an element of expropriation, otherwise a major justification for requisitioning surplus land disappears. Experience in a number of countries suggests that a variety of deferred payment methods rather than just lump sum payments can be effective options. Land reforms cannot be viewed as a once and forever programme, since the structural problems change with the economic environment—one difficult problem is that of adjusting land ceilings from time to time. Another is that where employment opportunities are limited and the pressure on land remains great, tenancy

will persist. The essential problem in tenancy legislation is that it tends to be inflexible in the face of changes in economic opportunities.

The relationship in land is but one manifestation of the institutional setting in rural areas; however, it is a key one. Nonetheless, if the other components of the agrarian system are not properly aligned with development objectives, not much should be expected from land reform alone. Its success or failure depends essentially on its contribution to raising the level of productivity among beneficiaries, and in facilitating the mobilisation of gains in productivity to enhance opportunities for more investment, both on-farm and off-farm. Rationalising access to, and control over the use of land, however, must be accompanied by a comprehensive employment programme in the countryside.

Technological Requirements for Agricultural Growth : The region as a whole appears to be no nearer solving the food problem that it was a decade ago. It now appears that much of the slack in yields and productivity has been taken up with the adoption of new varieties and modern inputs in the more suitable physical environments, and the question of how the growth in foodgrains production can be maintained in the DMCs of South and Southeast Asia remains a critical issue.

critical constraints

Disparities in income and access to resources, and the related problems of under and unemployment are critical constraints on increased agricultural production in many DMCs. Technology alone cannot solve these problems, but the design of appropriate technology can alleviate rather than aggravate them. Appropriate technologies will be those suitable for adoption on small farms and which tend to enhance the use of available local resources, in particular labour. There are five priority areas in technology development which should have first claim on scarce research resources:

(i) Biological-chemical innovations—a number of important crops such as pulses, roots, tubers and oilseeds have been neglected by the research to date. Even the new rice technologies developed have benefitted only about a quarter of the rice farms in Asia—those in the shallow water areas where the degree of water control is fairly adequate. With regard to fertilizers, recent research suggests that the same yields can be achieved by proper application of only two-thirds as much fertilizer as is presently recommended. Little is known about the potential benefits of organic fertilizer in the tropics, despite the fact that they have been used widely over a long period of time in East Asia. It will also be important to investigate how and where practical biological methods of insect control can be applied, since chemical control measures recommended to farmers growing new varierties have turned out to be costly, often ineffective, and in some cases, even damaging.

development of irrigation

(ii) Hydrological innovations—particularly in case of rice and wheat, irrigation will be a critical source of output growth in the decade ahead and there must be a long-term commitment to the development and expansion of irrigation. It appears that the cost of irrigation development is high and gradually rising over time, so that efforts must be made to determine the most cost-efficient approaches. The major weakness in the irrigation sector now, however, is the lack of adequate institutions for optimally matching available talents and skills with technology and material inputs. If the over-all system is badly managed, attempts to improve on-farm water management will have little effect. Careful studies are needed to establish the critical interactions between engineering, agronomic, economic, institutional and social performance before appropriate choiees can be made from among the various approaches to irrigation systems possible.

(iii) Mechanical indovations—the land constraint in Asia dictates that output per unit of land should be maximised rather than output per worker, The mechanical farm technology which has has been transferred from the developed countries has not proved useful since much of it has been designed to maximise labour productivity. Its survival has been encouraged by inappropriate factor pri cing. Research to develop appropria forms of mechanical technology must aligned with research in other closel related areas, particularly in cropping sy tems, which has its principal objective t intensification of crop production. public policy of "selective mechanisatio is required which encourages the introdu tion of mechanical technology of t sort that can increase yields or annu production of foodcrops, reduces loss in processing, storage and handling, a increases the utilisation of labour.

(iv) Cropping systems research—on recently have there been attempts to g beyond a single-crop research focus an examine cropping or farming systems a a whole. Cropping systems researc should be integrative in the sense of bo rowing technology—or encouraging th generation of appropriate technology— in closely-related disciplines. Essentially it is new technology which provides oppo tunities for changing cropping patterns but many of the current cropping sys tems research programmes have neglecte primary technology generation.

(v) Socio-economic research — th should be directed towards identifyin the gap between existing and potentia crop yield under farm conditions, an determining what proportion of this economically recoverable, improvin water control and management, and asse sing the potential impact of alternativ technologies on different groups in th community (e.g. low and high incom consumers, small and large farm opera tors).

a major problem

A major problem which has come t be recognised is that direct transferenc of a newly developed crop variety fro the very specific environment of interna tional crop research centres to the widel ranging environments found at the far level, may reduce potential yields co siderably and render innovation unprofi able. To overcome this requires furthe developmental work at national station entailing large numbers of well-traine people and a well organised programme Many DMCs, however, do not yet hav good national research systems an

several others can be said to have made no progress towards developing a useful research capacity. Often the plant scientists in national research systems have a tendency to transfer objectives decided upon in other more dominant national centres, or in the international centres, instead of aligning their work to the specific problems encountered in the target areas. Overall, the weakest link in the agricultural research network is in local and adaptive work at the farm level.

Agricultural Credit: In order to establish the requirements for a viable small farmer credit programme, the needs of two principal actors in the system, the borrower or small farmer, and the lender, both the private individual and the loan agency, must be examined. The potential rural borrowers consist broadly of the following groups: (i) those whose physical resources would not be capable of producing enough earnings to support their family at a minimum standard of living; (ii) those who could make a reasonable living were, their existing resource base more productively employed, but who are currently earning below the subsistence level due to their use of relatively inefficient technology; (iii) those who are net savers and have a sufficient resource base to offer further potential for adding to income; and (iv) commercially oriented entities including rural business, large scale farms, and plantations. It is mainly the first two categories which are dealt with in the report.

stringent conditions

The necessary conditions for the success of a credit programme, as an adjunct to a production programme on small farms, are more stringent than usually realised. The small farmer makes a decision not only as to how much will be borrowed in total, but how the loan will be allocated between production and consumption. Generally, he is operating at or near the subsistence level and conditions become precarious during the lean season. The small farmer has difficulty in bearing risk and managing seasonal cash surpluses and deficits. Cash input requirements increase substantially if the economic potential of the new technology is to be realised. This, coupled with the uncertainty of production due to weather, often leaves the borrower in an extremely vulnerable position financially. Small farmers are therefore often reluctant to borrow for so-called productive purposes from formal lending institutions. The credit programmes of the latter frequently encounter a high level of default.

recommended package

The recommended package of practices associated with credit programmes tends not to take into account the goals of the small farmer, but is often designed instead to satisfy the short-term goals of the government in securing more food. Governments' objectives often tend to become focussed on yield maximisation, while the objective of the small farmers may be income maximisation discounting for risk and a strong consumption preference. Failure to take explicit account of the needs of the small farmer may jeopardise his position and he frequently becomes more indebted than he was before.

There are a growing number of very small farmers who simply are not viable borrowers. For them, as for the landless labourers, consumption demands are often met by borrowing from private money lenders. The solution to this problem lies not in providing adequate supplies of institutional credit to these people but rather in providing off-farm employment opportunities to enable these families to earn an adequate income.

In term of the requirements of small farmer credit, the desirable characteristics of a lending institution are: (i) it should be readily accessible and flexible in meeting the timing of loans; (ii) it should be prepared to defer repayment due to crop failure or other unforeseen calamities; and (iii) it should be prepared to deal with a large number of very small borrowers in both lending and repayment operations. The informal system is better equipped for these tasks, and it is not surprising that to date informal sources have handled the bulk of lending in rural areas. Governments have attempted to eliminate private money lenders, but have had neither the credit supplies nor the institutional facilities to perform the above functions satisfactorily.

Government-backed cooperatives and rural banks have in the past provided money at rates of interest so low as to ensure that they cannot provide the required services at a profit, but there is some indication that they can compete effectively with money lenders without recourse to this strategy if much closer supervision of loans is maintained. A higher interest rate policy is needed so that the formal lending agencies can afford to provide the services required in a small farmer lending programme. Higher rates of interest will not lead to a significant reduction in lending. For risk-averse farmers the greatest inducement to borrow is the promise of a substantial and fairly certain return on purchased inputs. Higher interest rates also provide an important incentive for mobilising rural savings.

A viable small farmer credit programme requires years of careful development. Furthermore, given the nature of the clientele to be served and their specific needs, informal credit operations through money lenders and traders will continue to be an important source of credit. Attempts will have to be made to regulate their activities and bring them under the discipline of national credit policy.

input subsidies

Agricultural Price Policies: Governments have subsidised input prices in a variety of ways though it is difficult to make a case for these subsidies in "normal" times, and experience shows they are rarely an unqualified success. The flexibility claimed for input subsidies in terms of discriminating between uses and users in their impact is more apparent than real, with the result that, though instituted in the name of the poor, such policies invariably benefit the better off farmers. Rationalising the marketing and inputs production and distribution system, and improving extension directed to the proper use of inputs, would have a much better impact without causing the type of distortions which input subsidies invariably result in.

Output price policies in the region used to reveal an "urban bias" in that they were aimed at keeping food prices low in the towns. However, during the past decade, a reverse tendency has

emerged, policy support for high agricultural product prices becoming a favoured posture. High agricultural prices can help encourage the adoption of superior technology, although an assured minimum price is a better instrument to reduce price uncertainty. On the other hand, high foodgrain prices can cripple a government's capacity to mobilise surpluses for subsequent investment in public infrastructure, including agricultural infrastructure. High product prices may not therefore be in the best interest of farmers-particularly small farmers whose depend, ence on public investment is that much greater in the absence of owned resources or easy access to credit and capital finance.

barter trade

Movements in the barter terms of trade between agricultural and non-agricultural goods and services need to be monitored to ensure agricultural producers are not disadvantaged, while at the same time encouraging them to improve their income terms of trade through the adoption of more productive technology. There is a case for maintaining income parity between the farm and non-farm sectors under present circumstances, though price policy can only do this when the divergence between agricultural and non-agricultural market prices is not too great. Where trends become substantially misaligned, the remedy lies in appropriate institutional and technology policies for agriculture and in more direct administrative action. Agricultural price policies should be given the role of "fine tuners" of agricultural production conditions and not used to bring about major shifts.

Off-Farm Employment: Increased agricultural production can provide new employment opportunities for a significant number of people, although it is equally clear that new off-farm jobs also must be created on a scale hitherto not considered before substantial inroads can be made on unemployment and underemployment in the DMCs.

A key component of a rural employment strategy is rural works, which represents a large, but hitherto mostly untapped source of potential employment. So far the over all impact of rural works programmes has been relatively small. Past failure can be attributed to deficiencies in planning, financing and the administration and organisation of programme execution.

A genuine commitment to a rural works strategy will require drastie shifts in development priorities and in sectoral resource flows. About one to two per cent of national income should be devoted to this task. Where it is not possible to speedily mobilise the domestic and externa! resources required for a programme on the scale envisaged, two options can be considered. One has to reduce the scale but not the scope of the programme by confining it to the most impoverished regions of the country. Another approach in the more resource-short DMCs is to selectively phase in programme components on a nation-wide basis, beginning first with the building of productive agricultural infrastructure, then moving on to the provision of industrial sites and services and social infrastructure later. However, the largest potential for labour intensive rural works entails the construction of civil works on dams and irrigation projects, farm to market road, bridges, market places and the construction of public buildings.

choice of technology

The choice of efficient technology in civil works is closely related to the costs of equipment, fuels and wage incentive payments. From studies of breakeven wages, it is apparent that the expansion of labour intensive works could satisfy the need for efficiency in production without requiring that wages be reduced below socially accepted levels.

The efficiency of labour intensive works is mostly determined by the organisation and management capability of the rural works authority or contractor concerned, and their ability to recruit, organise and supervise large numbers of men. Effective recruitment requires considerable sensitivity to the fluctuating demands for labour at the work site and the seasonal availability of workers. Supervision requirements are much greater than when machinery is used for the same task.

The need for delegation in the execution of labour intensive rural works would favour the use of private contractors, while the use of manual techniques may necessitate force account construction by the rural works authority—especially in areas where capital intensive methods have been used in spite of low wages. Private contractors in the region have the necessary flexibility and incentive for carrying out construction efficiently, but only a few of the larger ones have shown much inclination to employ labor intensive techniques.

labour intensive design

Treating a project design as basically fixed may pre-empt the utilisation of labour intensive techniques. But a basic design can be selected which has higher labour/equipment substitution possibilities (such as surface irrigation versus groundwater), specifications can be altered to facilitate manual methods, and the project scale and timing can be varied to conform to the seasonal availability of labour. When a labour intensive design cannot be found which yields the same performance standards, manual methods may be more competitive for lower design standards or slower implementation schedules, though care must be taken to avoid the substitution of unproductive employment of the emergency relief genre.

The financing of a large rural works programme could prove inflationary, especially because the wage goods requirements are high. Food imports will be needed in most DMCs during the initial stages of building-up the programme. However, the volume of food imports must be carefully articulated with progress under the agricultural production programmes, lest a disincentive to further production be imposed on the agricultural sector after its capacity has expanded to a level where import substitution is possible.

The second key element in a rural employment strategy is rural industrialisation. Three points are important here:

- First, rural-based manufacturing industries are usually small, so that one of the essential policy elements in a long-term employment programme in the manufacturing sector is to guarantee the essential viability of small-scale and some cottage industries in the economy.
- Second, the evidence suggests there is

emarkable scope for capital-labour substitution in manufacturing industries using echnologies already available to the DMCs.

• Third, rural-based industries are most kely to thrive in secondary cities and narket towns, where a minimum of physial infrastructure already exists or can be reated at relatively low cost.

Policies to support rural industrialisaon should avoid creating a long-term rain on the economy in the form of subdies, permanent tax relief, restrictive censing, and so on. Measures needed are nose which help to improve planning and augment the supply of institutional ources of investment finance and workg capital. Industrial extension services ill be needed and special measures ddressed to the material-intensive haracteristics of rural-based small-scale ndustries.

inherent bias

Such industries have achieved only mited success so far due to the bias gainst things small which seems to be herent in present planning systems. The ndustrial policies pursued and adminisative structures evolved in many DMCs ombine to favour large industrial firms hich apparently thrive in developing ountries due to their economies of scale. n the DMCs, these "economies" in fact ay result from such factors as distortions input price ratios, the operation of on-price rationing systems, and the attern of income distribution, rather an from cost constraints on small capaity utilisation due to technical reasons.

Reviewing foreign aid over the last ten ears, the survey states: The specific need or foreign aid has varied among DMCs epending on their public investment riorities, ability to mobilise taxes and ther domestic revenues, their access to omestic and foreign private capital, exort production potentials, import require ents, secular changes in terms of trade, xternal debt-service obligations, ability to chieve distributive adjustments without ffecting the rate of growth, and the ature and magnitude of structural imbaances and rigidities among sectors.

In comparison with official resource transfers to other regions of the world, the Asian region has fared poorly.

Although incomes per capita are lowest in Asia and the far east, the region with 52 per cent of the world's population in 1974, was allocated only 37 per cent of total foreign aid commitments between 1973 and 1975. While this pattern partly reflects regional priorities evolved from political considerations, it may also be related to the relative capacity of the Asian region to absorb aid and implement projects. The agricultural sector claimed an increasing share of the aid inflow during the decade, it being distributed within the sector mostly to agro-input and processing industries (34 per cent) and to land and water development (29 per cent). Agricultural development programmes and cash plantation crop programmes absorbed an additional 25 per cent.

The 1970s have witnessed a very pronounced increase in borrowings by the DMCs from private international banks and consortia, accompanied by a resurgence in the use of government guaranteed export credits and non-guaranteed suppliers' credits. The new credits have been expensive. These funds have been utilised both for project development and for strengthening the balance of payments through import financing (e.g. foreign exchange liquidity loans). By 1974-75, the non-oil developing countries as a group had to find $80 billion simply to finance their trade deficits and to service existing debt. Of this requirement, some $36 billion was raised from private sources. The high cost of private borrowing has been reinforced by increased interest and lending charges on credits for multilateral banks. Thus towards the end of the past decade, and more so into the next, the need to service debt on outstanding foreign credits has and will continue to divert ever increasing amounts away from future development needs.

In recent years, the net contribution of foreign aid towards economic development has come under close scrutiny. At issue is the net contribution of aid to national savings and its net additivity to a DMC's capital stock. There is some evidence that aid substitutes against private savings if the gross national savings rate is less than 15 per cent, a situation which typifies many DMCs.

The evidence regarding aid's additivity

Foreign aid—a balance sheet for improvement

THE Survey states: "We believe that the following important changes in administration of foreign aid must be introduced before aid will be able to effectively support employment-oriented development in rural Asia."

The recommendations applying to both donors and recipients are as follows:

CHANGES REQUIRED OF AID DONORS

- **Increase the volume of aid inflows. More food may be necessary.**
- **Decrease the costs of aid.**
- **When justified, increase the proportion of programme lending in annual loan portfolios.**
- **Increase the amount of foreign exchange approvals for local currency expenditures. (The current shares may not suffice.)**
- **Loan appraisal procedures should be revised to accommodate the particular requirements of programme lending. Avoid a capital intensive approach under programme loans unless thoroughly justified from the recipient's point of view.**
- **Procurement and disbursement procedures will have to be relaxed considerably. Measures to promote regional procurement should be introduced.**
- **Place less emphasis on the achievement of annual loan targets in the agricultural sector.**
- **Avoid tying aid to purchases in the donor country.**
- **Insist that aid be additive to net investment.**
- **Insist that better statistical support be provided for operations in rural areas. Provide more support to upgrade the government's statistical capability if necessary.**

CHANGES REQUIRED OF AID RECIPIENTS

- **Implement more self-help efforts, in parallel with specific aid approvals, in order to ensure that the impact of aid is basically additive.**
- **Avoid Exim bank credits for financing agricultural projects and employment-oriented and rural development programmes unless thoroughly justified, both in terms of the cost of the credit and the factor proportions in the development area.**
- **Instruct the aid expenditure programming bureau to create a longer portfolio of better-prepared proposals for possible financing with foreign aid. The sectoral composition of this portfolio should reflect an employment-oriented approach to development.**
- **Improve the rural data base to facilitate the allocation of project and programme aid commitments that contain substantial allocations for local currency expenditure.**

to Gross National Capital Formation (GNCF) is on firmer grounds, and is equally disturbing. Aid in general appears to have not been additive during the past decade because governments have tended to increase their recurrent expenditures when aid is flowing in, financing these mostly with private savings which in turn were mobilised via domestic borrowings. Foreign aid has indeed financed an increasing share of planned capital expenditure, but it usually has not been additive to GNCF. Thus aid, as presently administered, appears to have contributed to an inappropriate allocation of domestic resources in some of the capital scarce DMCs.

Foreign Aid and the Tasks Ahead: The role for foreign aid in the Asian region during the next ten years will be quite different from what it has tended to be in the past. There are a number of interrelated issues which will arise from the need to service or refinance substantial existing debts, and the technical and financial requirements of undertaking employment-oriented strategies grounded in the needs of agriculture and rural development.

learning-be-doing

Aid must be articulated with self-help measures by the DMCs themselves to provide assurance that aid becomes additive to national savings and national capital formation during the next decade. Given the risks attached to the successful implementation of rural development and employment programmes, for which knowledge transfer is probably not easy under foreign aid in the form of expatriate expertise, and which involves a large component of learning-by-doing within DMCs, governments may be reluctant to augment their own limited funds with foreign aid unless aid is offered on more concessional terms.

The terms and conditions need to be carefully reviewed if foreign aid is to have a significant and favourable impact during the coming ten years. In the past, the volume of multilateral credits available for the very poorest countries has been constrained. A disturbing development regarding bilateral aid during the past decade has been the continued use of tied aid, and the increased emphasis on Eximbank-type financing by some of the major donors. Both limit the flexibility of project and programme design.

Development strategies appropriate for the rural economy in the next decade will require large elements of programme lending (including food aid) if decentralised decision making is not to be frustrated by the detailed and time consuming project review procedures of donor agencies whenever unexpected alterations in implementation arrangements need to be undertaken at the local level. Programme aid is more difficult to appraise and evaluate than project aid, and, in some instances, the expenditure of funds provided may be more difficult to control because of the flexibility needed by the borrowers. However, for the multilateral agencies, programme lending does not entail such a great departure from current practice in some areas,

Another innovation needed is the offering of more foreign exchange for conversion to local currency to supplement strictly local expenditure whenever it is clear that countries are being forced by budgetary considerations to allocate insufficient amounts to worthwhile projects and programmes. This would prove especially useful in support of rural employment, land reform and rural development programmes, where beneficiary interests are not well represented in the political process and where pressures for cost cutting will be most intense. Local cost financing is very unlikely to have an inflationary impact in the larger DMCs where such programmes are most needed.

A major issue concerns the joint impact of tied aid in the case of bilateral agencies, and the rather stringent appraisal, procurement and disbursement procedures in the case of multilateral agencies. The result is a sustained bias in aid operations towards imported and capital intensive technologies which are less suited to the factor endowments of the DMCs. Furthermore, the fairly rigid programme or project requirements of multilateral agencies allow little room for subsequent alteration without expensive and lengthy consultation between the agency and the DMCs.

The changing priorities in agricultural research and development, and the evidently growing concern with improving standards of life in rural areas, requires considerable administrative decentralisation. The executing agencies of the governments simply will not be in a position to guarantee project design or provide detailed breakdown of foreign aid expenditures in these circumstances. If the often unnecessarily detailed reporting requirements of donor agencies are passed down to local planning units, the resulting bureaucratic delay will quickly diminish the value of foreign assistance to support the new development objectives.

Hunger and Unemployment

"WE ARE witnessing in the region the paradoxical phenomena of governments of some of the world's poorest and most malnourished countries talking about the need to export cereals in order to maintain farm prices and to take best advantage of new possibilities for earning foreign exchange. Other countries, feeling a little less secure, are carefully hiding away the surplus grain in bulk storage for the time when monsoon will fail again. Yet in these same countries literally millions of people are still going to bed hungry in the same way as they have been doing for as long as they can remember. They simply are unable to find an occupation which will bring in enough income to feed themselves or their families.

"The technological spurts in agriculture of the late 1960s, which were encouraging in their own right and did much to improve domestic production in some countries, have by now largely run their course. Unfortunately, these were confined by an unsympathetic environment to about one fifth of Asia's farmland. New research and new technologies are now needed to fulfil expectations that were raised too high by the prospect of a 'green revolution' as well as to meet the basic need for more food.

"Frustration also ensued from the rather half-hearted attempts to recast rural institutions, although these limited changes were usually accompanied with all of the persuasive power which modern mass communication can give. A deserved sense of cynicism has settled in among the rural poor, and it is only due to the timeless patience of these people that more upheaval and more revolutionary violence did not materialise during the past ten years. Unless major new policy commitments are made, however, one cannot be as sanguine about the coming decade."

—From the Epilogue, Second Asian Agricultural Survey

Australia : budget and economic policy

The underlying forward momentum of demand and activity has begun to reassert itself in Australian economy in recent months. As the trade account continues to switch around it will contribute significantly to the growth of domestic product over the course of the year and an improving balance of payments position, says Mr Lynch, the Federal Treasurer.

THE REDUCTION of Australia's rate of inflation remained the first goal of Australia's economic policy, the Federal Treasurer, Mr Phillip Lynch, emphasised in his speech introducing the Australian budget in the national parliament on August 16.

The second goal, dependent on the first, was to promote moderate and non-inflationary growth in order to create jobs and reduce unemployment.

Mr Lynch said, the economy had still not fully attained the pre-conditions for sustained growth.

Excluding health and medical services, where prices had been influenced by changes in health insurance arrangements not connected to inflation as such, the consumer price index had risen by 10.2 per cent in 1976-77, compared with 15.4 per cent in 1975-76.

economic outlook

Productivity in 1976-77 increased by 3.6 per cent, the profit share rose by almost one per cent to 14.4 per cent; company profits increased by 23.5 per cent. Real gross non-farm product rose for the year as a whole, with growth concentrated in the private sector.

"The forward momentum of private activity is now beginning to re-assert itself," My Lynch said. "Inflation over the year as a whole fell much as expected a year ago. Wage costs also grew less fast in 1976-77 than in 1975-76 but the slow-down was less than had been hoped," he said.

"That is closely linked with major disappointment of 1976-77—the continuation of high unemployment. This is a matter of grave concern to the government," My Lynch said.

serious imbalance

He said the serious imbalance between real wages and productivity resulting from the 1974 wage explosion still remained Australia's major economic problem. It could only be solved by winding down real wages relative to productivity.

Fiscal and monetary laxness would undermine Australia's international competitiveness. Because the budget rejected that pitfall, it would contribute to a more positive outlook for the major development projects now under way and in the offing and the investment inflow that stemmed from them.

Giving details of the budget, Mr Lynch said, total outlays in 1977-78 were estimated to increase by 10.5 per cent to $A26,656 million.

The overall deficit was estimated at $A2,217 million, a reduction of $A523,000,000 compared with 1976-77.

This outlook was consistent with the government's fiscal stance since taking office. The further reduction in the budget deficit would lighten the burden on monetary policy. The government was thus a step closer to its objective of lowering interest rates and beginning to ease the restrictions on bank lending during 1977-78.

It was the government's present expectation that it would be appropriate for money growth to be somewhat less in 1977-78 than last financial year when the volume of money (M3) increased by 10.6 per cent. Mr Lynch said that the present outlook indicated growth over 1977-78 in M3, in the range of 8 to 10 per cent.

The underlying forward momentum of demand and activity had begun to re-assert itself in recent months. That process would gather pace over the course of the 1977-78 financial year. Growth would again be concentrated in the private sector, with improvement in both personal consumption expenditure and business fixed investment.

"Product growth will induce some short-term gains in measured productivity and some further improvement in profitability and profit levels," Mr Lynch said.

"As the trade account continues to switch around, it will contribute significantly to the growth of domestic product over the course of the year and an improving balance of payments position.

"With policy bearing down on inflation and business investment picking up, strengthening private capital inflows and the recently announced resumption of long-term official borrowing overseas should reinforce the capital account also as the year progress," he said.

new tax scheme

Mr Lynch announced a new personal income tax system which, he said, would mean reductions in taxation for the majority of Australians.

"We believe that taxes have taken too much from the community and that people now want greater charge of their own affairs," Mr Lynch said.

The government was unremitting in its determination to rein back the growth in the public sector.

"The more successful governments are

in the exercise of economy in their expenditures, the more scope they have for reducing the burden of taxation on their citizens," Mr Lynch said. The government's success in reducing the rate of growth in expenditure had made it possible to reduce the "excessive level of personal taxation."

He said the present tax scale on pesonal incomes was "not only inequitable but is having devastating effects on incentives and the will to work." The government's improved and simplified tax system would "provide very substantial benefits to taxpayers at all income levels." The new measures, which in essence, created one basic taxation rate for the vast majority of Australians, represented the "most revolutionary change yet made to Australia's system of income tax."

Under the new scheme, income up to $A3750 will be exempt from tax, and a standard rate of 32 per cent will be established on taxable incomes over $A3750 for individuals. Because of the dependent rebate, the comparable figure for taxpayers with dependent spouses will be $A5485. A surcharge of 14 per cent will be imposed on incomes between $A16,000 and $A32,000 and 28 per cent on incomes above $A32,000.

Mr Lynch said the new system, with its three effective marginal rates of 32, 46 and 60 per cent, would become one of the most advanced in the world.

Mr Lynch said the new personal income tax scheme went "a long way to restoring the monetary incentives for individuals to work harder and take on added responsibility". Apart from transitional provisions in 1978-79, when half indexation will apply, the personal tax system would continue to be fully and automatically indexed to prevent increases purely through inflation.

Mr Lynch said that finance for the "essential personal income tax reform" had meant rigid control of government spending and that the government had to look elsewhere for increased sources of revenue. As a result, the government had decided to increase corporate tax by 3½ per cent, bringing the general rate to 46 per cent. Howver, because of the large concessions given last year, this would mean an increase in company tax payments of only six per cent in 1977-78.

Mr Lynch also announced moves that would bring prices for Australian-produced crude oil to 50 per cent of import parity within four years and to full import parity "as soon as possible".

The new scheme will apply to oil discovered before September, 1975. The government has already decided to apply import parity prices to oil discovered after that time. For the first year, the proportion of oil per field to be sold at import parity prices will be 10 per cent of production, and in the three subsequent years 20, 35 and 50 per cent.

The government would increase the production levy on crude oil by 50 per cent to $A3 a barrel. It was also examining whether the levy should be replaced by a resources tax. It had also reviewed the duty on petroleum products and had decided to increase it by 25 cents per litre.

These pricing and duty decisions combined were estimated to result in an increase in retail petrol prices of about 2.5 cents per litre in 1977-78. They would also result in additional revenues totalling $A180,000,000 this financial year and $A212,000,000 in a full year.

—**Australian Information Service.**

AUSTRALIAN BUDGET HIGHLIGHTS

- reductions in income tax for most Australians, involving an increased tax threshold and the application of one standard rate of tax on incomes up to $A16,000;
- an increase from 42½ to 46 per cent in corporate tax;
- petrol price increases of 2½ cents a litre—or 11 cents a gallon—resulting from moves towards world import parity prices for Australian-produced crude;
- a strategy to keep government outlays, estimated at $A26,656-million for the year, to zero growth in real terms.
- a further reduction of one per cent—or 3,000 people—in the Australian Public Service following on a reduction of 12,500 since June 1965.
- expansion of special schemes to help Australia's jobless youth;
- significant increases in Australia's bilateral and multilateral aid programmes;
- establishment of a national rural bank as a refinance institution to help Australia's ailing rural industries;
- an increase to $A30,000,000 in export research and incentive grants;
- $A176,000,000 for assistance to Aboriginals compared to $A161,000.000 last financial year;
- a specific immigration programme with assisted passages for about 16000 people and intake determined on the number of eligible applicants.

MOVING FINGER

The other evening I was sitting on my handkerchief lawn, trying to relax. I do this with whisky when there is some Scotch around. Otherwise, I take a hand at cutting vegetables for the evening meal. Both devices serve the purpose almost equally well. On this particular evening there was no Scotch anywhere in sight. So I brought out a tray of tender *bindi* and began slicing it with appropriately tender attention. Just then someone drove up in a car and walked in holding a carton of sweetmeat. I took it from him and looked at the accompanying card. It said: "With the compliments of Mr Murlidhar Dalmia". I did not have to ask what the occasion was. There was, I am sure, a rush on sweetmeat, fruit and dry fruit shops in the Delhi and Haryana areas that day. For, on the day before, Mr Bansi Lal had been arrested at Bhiwani and kept in police custody. On the following morning he was brought handcuffed before the chief judicial magistrate and remanded to judicial custody. *The Hindustan Times Evening News* of that date carried this information.

Now Mr Dalmia is not a vindictive person, but as a colleague remarked, he would not have been human had he not celebrated, as, no doubt, hundreds of others did. During those dark 18 months of evil memory, Mr Bansi Lal had contrived to let the police loose on many citizens who, for one reason or another, had incurred his disapproval, displeasure, wrath or downright enmity. Perhaps none of these unlucky people—if we leave out Mr Bansi Lal's political antagonists—was pursued and persecuted with so much concentrated malevolence as Mr M.D. Dalmia. The Delhi high court buildings, in fact, became a veritable hunting ground for the Haryana police who were under orders to see that Mr Dalmia was seized and put behind bars at any cost. Mr Bansi Lal is now pleading asthma and hypertension and has even filed his "dying declaration". Mr Dalmia has a history of stomach ulcer and high blood pressure and he is, in addition, an elderly person which Mr Bansi Lal is not. But hospitalisation was denied to Mr Dalmia and a diabolical cat-and-mouse game was played with him in the matter of parole—for he was a MISA detenu—so that he had to undergo the nerve-racking experience of being 'in', 'out' and 'in' again. Who could fault Mr Dalmia if there is joy in his heart now?

Having said this I would express my unease over some aspects of the treatment which Mr Bansi Lal had received after his arrest. Was it necessary to handcuff him and take him to court in an open jeep, especially when it was certain that he would be released on bail promptly enough? Surely, it was not obligatory on the part of the police to practise this barbarous ritual. Handcuffs may be used when there is reasonable ground for suspecting or expecting that the prisoner plans to or will turn violent, or there is likelihood of his attempting to escape with or without the connivance or assistance of others. Unfortunately, the practice of using handcuffs as a matter of course on persons taken into custody seems to be prevalent especially among the police in northern India. This situation needs to be reformed. I am not saying this out of any affection for Mr Bansi Lal. Of that sentiment for that person I never had any—as this journal bore witness even during the emergency—and have none now. But I do consider the handcuff ritual uncivilised and the very fact that the emergency regime encouraged it for the purpose of humiliating or physically harassing its political opponents or other victims should be an argument against the present government permitting it in the case of politicians connected with that regime. Right now there is quiet satisfaction in the country that the government has started moving against the criminals of the emergency regime and care must be taken to ensure that the atmosphere is not spoilt by incidents which may tend to arouse sympathy, however mistaken, among any section of the public for those individuals. Let the law take its course, as, indeed, it must, but let its course be kept decent and dignified. Which leads me to the thought that not much help could be expected from the press in this matter. The relish with which some newspapers revelled in pictures of the former Defence minister in what may hopefully be his purgatory bordered on the obsence. In contrast, Mr Jayaprakash Narayan, Mr Morarji Desai and Mr Charan Singh have displayed both sense and sensibility.

My impromptu reaction to the report of the Committee on News Agencies is that there is a case for restoring the *status quo ante* by splitting *Samachar* into its original constituents of PTI, UNI, *Hindustan Samachar* and *Samachar Bharati*. There is also a case for letting *Samachar* continue, but after ensuring its independence and objectivity to the extent this can be done through institutional arrangements such as a parliamentary charter. If, in addition, there is a case for a scheme of two entirely new domestic news agencies in place of *Samachar*—one of them, *Sandesh*, functioning in the English language and the other, a multi-lingual news agency, *Varta*, operating in Hindi, the regional languages and English—, the majority of the members of the committee which has opted for this scheme has not made it, its chairman's (Mr Kuldip Nayar's) personal note notwithstanding. This, however, does not wholly explain how *The Statesman's* editorial on the subject should be so zestfully in agreement with the minority report of Mr C. R. Irani (who happens to be its managing director) and Mr A.K. Sarkar, which favours the resurrection of the PTI and the UNI. Could it be a case of great minds thinking alike? Not since Mrs Gandhi's cabinet in the emergency period has so much unanimity been so effortlessly bespoke.

VB

TRADE WINDS

Performance of Railways

THE RAILWAY MINISTER, Mr Madhu Dandavate, stated recently that the new working system introduced by him had brought about a sea-change in the attitude of the workers and that he enjoyed the confidence and cooperation of all trade unions irrespective of their party affiliations. The improvement in the operations of the railways was due mainly to the sincere participation of workers, he said.

Mr Dandavate said that with a record average daily loading of 9,831 wagons of coal during April-June 1977, the railways not only maintained regular supplies of coal throughout the country but also reduced the stocks of coal at pitheads. The average daily loading of coal, including railway loco coal, during these months was 654 wagons more per day, compared to the corresponding months of 1976.

During April-July this year, he said the railways lifted 23.4 million tonnes of coal on public account— 2.1 million tonnes more than in April-July 1976. At present, the railways were lifting all the coal that was being offered.

Movement of foodgrains too had shown a substantial increase. The railways moved 5.77 million tonnes of food grains in April-July 1977. This was despite the fact that with the reduction of imports, railways had to undertake movement of indigenous foodgrains to distant destinations involving substantially longer leads.

The increase in passenger traffic during April-July 1977 had been more than the anticipated six per cent increase over 1976-77 performance. A special feature of the passenger traffic during these months, he said, was the running of a record number of summer specials. This year approximately 1200 summer specials were run as compared to about 600 last year.

Since April 1977, through constant supervision and effort, the punctuality of mail, express and passenger trains, he claimed, had been gradually improved and by the end of July, the average punctuality on the broad-guage has been brought up to 94.7 per cent and on the metre guage to 95 per cent. In this connection, he pointed out that about 200 trains were accelerated since April 1977 reducing their running time. Punctuality had been improved in spite of this acceleration.

State budgets

West Bengal

West Bengal budget for 1977-78 presented recently shows a net deficit of Rs 49 crores after providing for additional resource mobilisation of Rs 25 crores during the remaining part of the current year or Rs 42 crores in a full year. The Finance minister, Dr Ashok Mitra, has spread his net wide to collect additional revenue. The revenue receipts for the year have been estimated at Rs 747.59 crores and revenue expenditure at Rs 710.19 crores. Taking into account an opening deficit balance of Rs 56.12 crores and other adjustments, there was a net deficit of Rs 74.77 crores which after additional revenues will be reduced to Rs 49.77 crores.

The tax proposal are: The rate of sales tax on finished drugs has been reduced. Sales tax levy of one per cent on tea sold at Calcutta and Siliguri auction centres will bring additional revenue of about Rs 70 lakhs. Sales tax on Indian-made foreign liquor has been raised from 12 to 21 per cent and on foreign liquor to 50 per cent. Pass fee on rectified spirit or toilet and medicinal preparations has been raised from Rs 1.10 to Rs 3.75 per litre. Duty on ganja has been raised from Rs 200 to Rs 300 a kg. All exemptions of entertainment tax on individual films have been withdrawn.

Additional surcharge has been levied on the exhibition of coloured films on a graded basis depending on the value of tickets. (Expected revenue: Rs 5 crores a year). Stamp duty on certain instruments valued above Rs 50,000 has been raised, (expected yield: Rs 3 crores). Registration fees of certain items has been changed to raise additionl revenue of Rs 80 lakhs a year.

Agricultural income tax on companies, firms and associations of persons has been raised. Additional income tax on companies, firms and associations of persons has been raised. Additional revenue expected (Rs 75 lakhs). Progressive rates of taxation on multi-storeyed buildings and urban land have been imposed (about Rs 2 crores of extra revenue a year is expected). Motor vehicles tax on motor cars owned by individuals increased to Rs 50 a year and for companies three times the rate of individuals (expected revenue Rs 75 lakhs a year).

Uttar Pradesh

The Finance minister, Mr Madhukar Dhighe, presented a Rs 82.80 crores deficit budget for 1977-78. While no new taxes have been imposed to cover up the deficit, the Finance minister stated that economy measures in administration were expected to result in a saving of Rs 15 crores while better tax management, accelerated recoveries and streamlining of tax administration will yield another Rs 15 crores. Conversion of sales tax on petrol and diesel oil on ad valorem basis will result in an estimated income of Rs 50 lakhs. The Finance minister said that land revenue for holdings up to $3\frac{1}{8}$ acres will be abolished as a result of which 70 per cent of land holders will be benefited while the state will lose about Rs 166 crores annually.

Rail India

Rail India Technical and Economic Services Ltd (RITES) has earned a higher profit of Rs 12 lakhs for the year 1976-77. In the previous year the profit was Rs 5 lakhs. It has also increased the dividend to 25 per cent against 12 per cent announced during 1975-76. The cheque for the dividend was presented to the Railway minister, Mr Madhu Dandavate, by Mr G.P. Warrier, chairman RITES, recently. The chairman said that efforts were being made to gain a major share of the consultancy services needed by

the third world countries. The company's involvement in providing the services of railway experts to foreign countries was on the increase. As a sequel to the efforts made last year, a team of 11 experts was now in Ghana setting up maintenance facilities for rolling stock. Likewise, a railway bridge expert would shortly be leaving for Philippines to join the team which is already there.

Policy for Mini-Steel Plants

The government has liberalised the licencing policy for mini-steel plants with a view to helping them to improve their economic viability through diversification and rationalisation of production. Under the revised policy announced recently the mini-steel plants have been allowed to diversify their production into grades other than stainless steel flat products, high speed steel, die steel and electric sheet steels, up to five per cent of their capacity and graduate to 25 per cent of the capacity; composite units having steel and steel products capacity can now produce alloy and special steels and the electric arc furnaces are now allowed forward integration for rolling mill facilities.

Besides, the rolling mills producing steel strips are now permitted to manufacture all grades of carbon steels, special steels, alloy steels including spring steel and stainless steel strips and sheets up to five per cent of their capacity and graduates to 25 per cent of their capacity. The steel wire drawing units have been allowed to diversify into all grades of carbon steel and alloy steel wires.

In a press note issued recently the department of Industrial Development in the Industry ministry has clarified that considering the large surplus capacity in steel making, no further melting capacity in electric arc furnaces would be allowed, but consolidation and rationalisation of existing authorised capacity would be encouraged.

It stated that in order to allow flexibility in production and to improve their economic viability, the units which have successfully established production of permissible grades of alloy and special steels can now diversify to other grades excluding stainless steel flat products, high speed steel, die steel and electric sheet steel, up to five per cent of the total sanctioned capacity of the unit of 500 tonnes per annum or whichever is lower within the overall existing licenced capacity of each unit.

Suggestions to Direct Taxes Committee

The response of the public to an invitation by the Committee on Direct Taxes for suggestions has been very heartening. Many individuals, professional bodies and business organisations have asked for extension of time for submitting their memoranda. Others have submitted their suggestions on the Income-tax Act but have asked for time as regards other direct tax laws. Some have asked for an opportunity to appear before the committee and give oral evidence in elucidation of their written statements. Several professional bodies have complained that the preoccupation of their members with the preparation of tax returns to be filed by July 31 have precluded them from giving adequate time to the work of submitting their suggestions. In view of the above, the committee has decided to extend time till October 31, 1977 so as to give adequate time to the public interested in the subject to submit their suggestions to the committee. Suggestions may be sent by this extended date to Mr T.S.R. Narasimham, Aayakar Bhavan, Maharshi Karve Road, Bombay.

New Chairman for MRTP Committee

The government has set up an eleven-member high-powered expert committee with Mr K.S. Hegde, MP and former Judge of the Supreme Court of India, as chairman, for comprehensively reviewing and suggesting changes in both the Companies and the MRTP Acts. In view of Mr Hegde's subsequent election as Speaker of the Lok Sabha, the government has now appointed Mr Justice Rajinder Sachar of the Delhi High Court as the committee's new chairman. The committee is expected to commence its work soon.

Foreign Trade

A trade surplus of more than Rs 100 crores for the first quarter of the current financial year has been recorded. Latest foreign trade figures available show that for the April-June this year the surplus was Rs 118.45 crores, as against the deficit of Rs 54.18 crores in the same period last year. Once again, a substantial fall in imports rather than any increase in exports has contributed to the balance of trade account being surplus. Exports in June this year were Rs 368.5 crores, which was just Rs 3 crore more that what it was in the same month last year. Imports on the other hand came to Rs 280.7 crores whereas in June last this was Rs 366.75 crores.

Total exports for April-June during the current year were placed at Rs 1224.68 crores and imports at Rs 1006.23 crores. The comparable figure last year was, exports Rs 1108.85 crores and imports Rs 1163.03 crores. The export figures for June this year are based on finally passed copy of the shipping bills. The import figures are subject to revision, since the custom data for foodgrains on government account and for petroleum and petroleum products could be deficient and could be corrected later, after obtaining accurate data directly from the actual importers.

Advances against Foodgrains, Cotton

The Reserve Bank has directed all scheduled commercial banks that the relevant period for determining the permissible level of credit stipulation in respect of a party will be related to the peak level of advances against foodgrains and cotton and kapas outstanding per party during any of the preceding three years (November-October) viz, 1975-76, 1974-75 and 1973-74 instead of the years 1974-75, 1973-74 and 1972-73. The exemption limit in respect of advances covered by the guarantee scheme of the Credit Guarantee Corporation of India Ltd and coming within the purview of the directive on advances against foodgrains has been raised to Rs 50,000 from the present level of Rs 25,000; similar relaxation has been provided in respect of advances against foodgrains covered by Credit Guarantee Organisation and also those granted to processing/manufacturing

units covered under rural industries projects also.

Exports of Synthetic Textiles

Consumer preference abroad for Indian rayon and synthetic textiles has shot up. Exports during the first six months of this year which were valued at Rs 22.06 crores showed an increase of 268 per cent over the performance in the corresponding period last year. The exports effected during January-June period last year were Rs 8.23 crores. Rayon items featured predominantly in the export trade accounting for about two-thirds of the overall exports. Filament and spun rayon fabrics together aggregated to Rs 14.31 crores which was an increase of 305 per cent over the exports during the same period last year. Other major synthetic textile items too registered an increase. Thus exports of polyester and polyester blended fabrics valued at Rs 1.44 crores showed an increase of 579 per cent, garments made-up totalling Rs 2.1 crores was 580 per cent higher and miscellaneous items amounting to Rs 2.04 crores had increased by 540 per cent. Leading markets for rayon and synthetic textiles were Iran, the United Kingdom, Saudi Arabia, the United States, Poland, Dubai, Australia, Yemen, Afghanistan, Canada, Singapore, Somalia, Ethiopia, South Yemen and Kuwait.

Lubricated Valves

Audco India Limited has developed and introduced the process of LOMU treatment in the manufacture of their range of lubricated taper plug valves. This involves treating the surface structure of the valve plug with low friction polytetrafluoroethylene. The LOMU treatment reduces the friction between the plug and the valve body. It also reduces the frequency of valve lubrication. The process is applied to all Audco stainless steel, carbon steel, alloy steel and cast iron valves above $1\frac{1}{2}''$ size. The special pressure sealant system in Audco valves is kept unchanged. It is possible to replace the sealing surface from outside without interrupting operation. The LOMU process eliminates galling and electrolytic corrosion. In the LOMU process, the plug surface is impregnated and not coated with teflon. This separates the metallic sliding plug and the body surface which reduces the torque considerably. Audco valves are sold and serviced by Larsen and Tourbo Limited.

Gujarat Industrial Investment Corp.

Based on IPCL downstream units, two industrial projects have been sanctioned financial assistance of Rs 42.68 lakhs by the Gujarat Industrial Investment Corporation. The projects will generate a total investment of Rs 5.30 crores in Gujarat. The project to manufacture ABS resins in the petrochemical complex area of Baroda will be established at an estimated cost of Rs 4.75 crores. ABS is mainly a substitute for metals and can be used for making telephones, radio cabinets, luggage shells, domestic appliances, housing, cabinets etc. The required power and water supply, and effluent disposal have been arranged and with Rs 30 lakhs assistance sanctioned from GIIC the project will go on stream in July 1979 and would employ about 150 persons.

The second project sanctioned by GIIC is for processing of polypropylene, with a capacity of 921 tonnes per annum to produce woven sacks, mono filament, strappings, blown films and injection moulded articles. With an estimated cost of Rs 54.75 lakhs for which GIIC has sanctioned a term loan of Rs 12.68 lakhs, the project will employ 230 persons and is likely to go into production by June 1978 at Umbergam. Necessary power and water supply has already been lined up for the project.

Pfizer's Waste Water Treatment Plant

Mr V.K. Tembe, an MLA from Chembur and a member of the Maharashtra Prevention of Water Pollution Board, inaugurated recently a newly commissioned waste water treatment facility at the pharmaceutical and fine chemical manufacturing plant of Pfizer Limited. This is perhaps one of the first facilities of its kind installed by any pharmaceutical unit in Maharashtra. The commissioning of this special facility will ensure that only such waste water will now be flushed out of the plant as will conform to the standards prescribed by the Maharashtra Prevention of Water Pollution Board. The equipment, which was designed by Environmental engineering Consultants, Bombay, was supplied and erected by Voltas.

Underground Railway Castings

For the underground tube railway for Metropolitan Transport Project, Calcutta, New Standard Engineering Company Limited, is supplying cast iron rings of 5.5 meter diameter made to special chemical composition and micro structure to give requisite tensile strength and transverse rupture stress enabling the rings to withstand the shocks of the running trains. Another aspect about these rings is that they are to be accurately machined ensuring complete interchangeability. Manufacture of these rings needs special capacity, experience, advanced engineering technology, great awareness of precision and thorough implant stage inspection. Recently, NSE completed manufacture of first batch of such cast iron tunnel lining rings. At a simple function held at NSE Estate, in Bombay, Mr Sumant Patel, the managing director and president of the firm handed over the first of the rings to Mr A.K. Chakravarty, general manager of the project.

Manganese Dioxide Plant

A 1000 tonnes per annum capacity electrolytic manganese dioxide plant has gone into production in Trivandrum based on the technology developed by the National Metallurgical Laboratory, Jamshedpur. The complete project engineering, design and fabrication of all the process equipment and electrolytic cells for this plant are entirely indigenous. The novelty of the Rs 1.6-crore plant is that it uses medium grade manganese ore and the waste ferrous sulphate-sulphuric acid solution. By utilising the waste liquor, the pollution and disposal problems of this waste have been reduced besides reducing the cost of the project.

Manganese dioxide is used for the manufacture of dry cells as a "depolariser". Not all manganese ores of the world contain manganese dioxide in the form in which they are primarily required to function as effective depolarisers. India is no exception to this and the

atire demand of gamma variety f manganese dioxide ore to ie extent of 7000 tonnes are eing met by import from ountries such as Ghana, Zaire, nd Congo in Africa at a cost f nearly a crore of rupees. hrough the process developed y the NML, it is now possible o produce the manganese ioxide in the crystalline form y electrolysis using the indige- ously available ores as a base aterial. The manganese dioxide ius produced is far superior o the imported manganese re. Burma has also evinced in- erest in the NML technology nd has asked for assistance of ie government through CSIR or transfer of the NML know- ow. Work in this direction in progress.

ARDC

The Agricultural Refinance nd Development Corporation ARDC) has decided to raise s paid-up share capital from s 35 crores to Rs 47.50 crores y the issue of additional shares f Rs 12.50 crores (12,500 iares of Rs 10,000 each) to the igible institutions. The shares re guaranteed by the central overnment as to repayment of rincipal and payment of a inimum guaranteed dividend f 6.25 per cent per annum. he issue will remain on tap om September 1 to 30, 1977 both days inclusive).

Out of the issue, the Reserve ank will subscribe for 6,250 iares, while the state coope- tive land development banks nd state cooperative banks ogether will subscribe for 125 shares, the balance of 125 shares being subscribed r by scheduled commercial inks, rural banks, LIC and surance and investment com- nies. The issue of additional iares is proposed in the con- xt of the need to strengthen e share capital base of the corporation in line with the increased lending activities in diversified fields. The corporation had disbursed refinance totalling Rs 815 crores upto the end of June 1977; disbursement during the year 1977-78 is expected to be about Rs 260 crores.

Curbs on Mutton Tallow Import

The government has decided to restrict import of mutton tallow during the current year to 55,000 tonnes. According to an official release, the quantity would be adequate to meet the industrial requirement as also of registered exporters and export houses.

Names in the News

Mr Ajit Chandra Chatterjee took over as chairman-cum-managing director, Heavy Engineering Corporation. He succeeds Mr K.M. Kini. Mr Chatterjee had held several important positions in the railways before joining Mining & Allied Machinery Corporation in Durgapur as general superintendent in June 1970.

Mr Viren J. Shah, MP, has been nominated to the consultative committee for the ministry of Finance. The first meeting of the committee would be held on September 15, 1977 at New Delhi.

Air Chief Marshal P. C. Lal (Retd), chairman of Indian Airlines, has been appointed a director on the board of Air-India. Mr **G. D. Mathur,** deputy managing director of the Indian Airlines, has been appointed director on the board of the Indian Airlines.

Mr. M. C. Sarin took over as managing director of Indian Airlines. Mr Sarin has been appointed a director on the boards of the Indian Airlines and Air-India.

Readers' Roundtable

TEA PRICES

SIR—THIS has reference to the editorial attention you have given to Tea in your issue dated July 29.

The international community of tea producers has been considering various means of securing a stable price for tea. This necessarily means that India cannot act independently of the other countries without breaking up the joint approach and cooperation which have been fostered and sustained by various international meetings under the auspices of the FAO. For India to act alone in fixing a minimum price, as suggested by you, might only lead to the other suppliers selling their tea below the Indian price to establish footholds in markets where India used to supply.

Brazil's coffee is not a comparison as out of the total production of coffee in that country, the domestic consumption is a relatively small quantity. On the other hand, roughly 60 per cent of the Indian tea crop is being consumed within the country out of a possible record crop of over 550m. kg this year.

Like any other commodity, tea prices are influenced by supply and demand and as this year's crop reported from all producing countries shows a record increase, the prices have begun to recede and in London auctions and the latest available quotation is 135 pence.

At this price the net proceeds to the Indian grower, after paying 41 pence as export duty and less the cost of placing tea in the UK is below cost.

You have estimated that the government will gain a revenue exceeding Rs 100 crores from the duty of Rs 5 per kg. Since the auction levels will be determined by the discount, made on this account, the growers will earn less not only by the export duty but also by the lowering of the price in India by Rs 5 for equivalent grades in the internal market. The duty was imposed as a means to lower the internal price of tea. The effect of the duty falls on the entire crop rather than only on exports. The total estimated reduction of earning as a result of this duty is well over Rs 230 crores for the industry.

However, the industry should be grateful for the well-informed comments contained in the editorial.

Coonoor, Yours faithfully

V. I. Chacko
Secretary & Adviser,
United Planters' Association
of Southern India.

COMPANY AFFAIRS

CIMMCO

CENTRAL INDIA Machinery Manufacturing Co. has earned a higher gross profit of Rs 34.38 lakhs on a turnover of Rs 16.20 crores during the year ended March, 1977 against Rs 26.77 lakhs on the turnover of Rs 17.23 crores in the pervious year. After providing Rs 23.59 lakhs (Rs 23.50 lakhs) for depreciation, Rs 87,000 (nil) for investment allowance and Rs 4 lakhs (nil) for taxation, and after adjustments, there is a surplus of Rs 15.67 lakhs. Equity dividend has been maintained at 8 per cent. Equity and preference dividends will absorb Rs 15.35 lakhs.

The textile machinery division has been able to maintain satisfactory working for the year. With the continuing recession in the textile industry, production of automatic looms was regulated at a lower level. There was, however, good demand for the sophisticated semi-automatic looms. With more institutional finance being available to the textile indusry, this division is expected to show improved order position for automatic looms and other items in the current year. It also expects to secure good export orders from Indonesian textile mills.

The results of the shuttle division continue to be satisfactory. The order book for the current year appears to be better as there are signs of the demand picking up. The production of wagons could be maintained at the previous year's level despite various difficulties. In an effort to diversity its activities, this division has recently obtained an industrial licence for the manufacture of cement plant machinery. An order for supplying wagons to Sri Lanka has been obtained and an order from Nigeria is under negotiation.

Shree Digvijaya

Shree Digvijaya Woollen Mills has reported substantially improved results for the year ended March, 1977. The dividend has been stepped up from 20 per cent to 25 per cent. As against an increase of 8 per cent in sales from Rs 6.92 crores to Rs 7.47 crores, the gross profit has recorded an impressive increase from Rs 72.95 lakhs to Rs 195.82 lakhs. After providing Rs 11.17 lakhs (Rs 12.46 lakhs) for depreciation, and Rs 136.75 lakhs (Rs 38 lakhs) for taxation, the net profit amounts to Rs 47.90 lakhs as against Rs 32.49 lakhs in the previous year. The proposed dividend will absorb Rs 32.69 lakhs (Rs 18.50 lakhs). The export tempo in the company was maintained resulting in the foreign exchange earning of Rs 29.02 lakhs, the bulk of which was accounted for by the UK and Canada. The company was able to make a dent in the Gulf region, Australia and New Zealand. The worsted carding and combing plant as well as other ancillary machinery, orders for which were placed during the year, have been received. The installation of the plant has been completed and trial runs are now going on. Full production is expected from September this year.

Raymond Woollen

A final dividend of 90 paise per equity share has been declared by the Raymond Woollen Mills. This, together with the interim dividend of 60 paise per equity share declared on July 1, 1977, brings the total dividend of Rs 1.50 (15 per cent) for the 15-month period (January 1, 1976 to March 31, 1977). The company had paid 12 per cent in the previous year. The interim and final equity dividend declared is on the enlarged equity capital following the bonus issue of 1:3. Sales and other income were around Rs 39.40 crores for the 15-month period against Rs 27.52 crores for the previous year. Exports increased to Rs 6.75 crores against Rs 4.41 crores. Gross profit, after interest but before depreciation/write off, amounted to Rs 2.44 crores against Rs 1.97 crores.

Larsen & Toubro

The working of the Larsen & Toubro Ltd for the first four months of the current year (April 1 to July 31, 1977) shows a satisfactory improvement over that for the corresponding period of the previous year. Sales for the four months amounted to Rs. 24.44 crores against Rs 18.56 crores for the corresponding period of the previous year, an increase of 32 per cent. Production has also been higher at Rs 16.70 crores as against Rs 13.07 crores for the four months of the previous year, an increase of 28 per cent.

Order booking at Rs 26.41 crores was, however, lower than that for the corresponding period of the previous year, mainly because the previous year's order booking of Rs 30.68 crores included orders for two cement plants of a substantial value. For the same reason, order backlog at Rs 81.88 crores is lower than that for the corresponding period of the previous year at Rs 84.56 crores. The shortfalls in order booking and order backlog are expected to be made good in the next two or three months.

Barring unforeseen circumstances, the management expects a satisfactory growth in sales and profits for the year 1977-78. A dividend of 16 per cent was declared for the year 1976-77.

Jiyajeerao Cotton

Jiyajeerao Cotton Mills has shown a rise in turnover during the year ended March, 1977 to Rs 60.28 crores from Rs 54.31 crores in 1975-76. The gross profit was Rs 3.42 crores. After providing Rs 187.06 lakhs (Rs 193.75 lakhs) for depreciation, Rs 26.39 lakhs (nil) for investment allowance reserve and Rs 84.50 lakhs (Rs 270 lakhs) for taxation, the net profit works out at Rs 44.13 lakhs.

Equity dividend has been reduced from 10 per cent to nine per cent and will absorb Rs 62.59 lakhs (Rs 69.55 lakhs). For payment of dividend, a sum of Rs 27.76 lakhs has been drawn back from the general reserve. Despite the reduced profits, the directors would have considered maintaining the dividend of 10 per cent, but in view of the Companies (declaration of dividend out of reserve) Rules 1975, the dividend had to be reduced.

Due to efficient working and increased production of blen-

led fabrics, the results of the extile division were quite satisactory. The chemical division, nowever, witnessed another lifficult year both from the point of view of sales and profitability, despite a slightly higher production. Production of soda ash was higher at 148,000 tonnes against 144,000 tonnes, and of refined sodium bicarbonate 8,708 tonnes against 6,760 tonnes. There was no production of ammonium bicarbonate against 52 tonnes in 1975-76. The progress of the expansion of soda ash capacity has been slow and the scheme is not expected to materialise before 1980.

Garware Nylons Ltd.

The board of directors of Garware Nylons Ltd have recommended a dividend of 15 per cent on the equity shares, which will absorb an amount of Rs 64.80 lakhs. The gross sales of Garware Nylons Limited during the year ending March 31, 1977 amounted to about Rs 29.61 crores as against Rs 26.05 crores in the previous year. The net sales amounted to about Rs 16.98 crores against about Rs 15.81 crores in the previous year. The company earned a gross profit of about Rs 2.04 crores before providing for depreciation and taxation, as against about Rs 3.26 crores in the previous year. An amount of Rs 1.24 crores has been provided for depreciation during the year as against Rs 1.21 crores in the previous year. Development rebate is nil against Rs 14,96,600. The company does not expect any liability on account of taxation for the year 1976-77. After providing for depreciation as aforesaid and development rebate and taxation being nil, the company has earned a net profit of Rs 79.99 lakhs as against Rs 189.80 lakhs last year.

The profit during the year declined, despite the increase in the sales, owing to steep fall in the prices of nylon and polyester yarn on account of the general recession in the economy and the depressed conditions prevailing in the synthetic fibre industry. However, the working of the company during the first four months of the current year is far more encouraging.

The government has sanctioned an increase of 40 per cent in the capacity of nylon yarn plant and 60 per cent in the case of polyester yarn plant. The company has already implemented this expansion in the polyester yarn plant, and efforts are under way to



augment the capacity of nylon yarn plant expeditiously. The cost of this expansion has been estimated at about Rs 2.5 crores which will be financed from the internal resources of the company.

National Rayon

Despite a modest Increase in sales by Rs 22 lakhs in 1976 to Rs 4483 lakhs, including excise duty, against Rs 4461 lakhs in 1975, there was a loss of Rs 30 lakhs before provision of gratuity and depreciation. The loss after provision of gratuity and depreciation is Rs 179 lakhs against a profit of Rs 127 lakhs in 1975, after providing for tax. Some of the reasons for such losses are the increase in the cost of raw materials, cost of power and fuel, interest and office and selling expenses. Even though sale of nylon tyre cord during the maiden year was 176 MT, the capacity utilised was very low resulting in heavy losses due to inherent time lag between successful production of tyre yarn and the acceptance of the product by customers. In the absence of distributable profits, no dividend either on preference or on equity shares is recommended by the board of directors to the general body.

Tata Finlay

The board of directors of Tata-Finlay Limited, has recommended a final dividend of 10 per cent which will be payable to all shareholders, including the holders of 2,600,000 equity shares issued and subscribed for in the company's recent public issue. The company's sales for the year ended December 31, 1976, were Rs 45.98 crores and the profit before tax was Rs 11.20 crores. After deducting the provision for taxation, amounting to Rs 7.57 crores, there remains a balance of Rs 3.63 crores. The directors have paid an interim dividend of 15 per cent on a paid-up capital of Rs 3.28 crores absorbing Rs 49.20 lakhs, and have now recommended a final dividend of 10 per cent on the increased paid-up capital of Rs 6 crores absorbing Rs 60 lakhs. The balance remaining in the profit & loss account amounting to Rs 2.54 crores has been transferred to general reserve.

The board of directors has finalised the allotment of 2,600,000 equity shares in consultation with the Stock Exchange, Bombay. In view of the large number of applications received for between 50 and 350 shares, it has been found necessary to draw lots for the purpose of determining the successful applicants in these categories. The minimum number of shares allotted is 50 which is the trading lot on the stock exchange.

Gujarat Steel Tubes

There was an all round improvement in the working results of Gujarat Steel Tubes Limited in the year 1976-77 as compared with 1975-76. Sale went up by 117 per cent to Rs 28.40 crores, as compared with that of the previous year. Net profit of Rs 77.85 lakhs was more than three times that of the previous year. Production in the year increased by 90 per cent making GST the largest manufacturer of welded steel pipes and tubes in the country. The company's export of tube went up substantially from 9,976 tonnes worth Rs 2.75 crores (FOB) in 1975-76 to 43,522 tonnes worth Rs 12.33 crores (FOB) in the year under report, the increase being 350 per cent. This is the highest export of pipes ever achieved by any tube unit in the country in a single year so far. Besides, 15 other engineering and plastic items worth Rs 91 lakhs (FOB) were also exported by the company, mostly from small scale units in the state. Significantly, the company also realised the highest FOB price per tonne of pipes exported by the whole industry.

After providing Rs 29.07 lakhs for depreciation (Rs 21.03 lakhs), Rs 12.50 lakhs for investment allowance (Nil) and Rs 5.00 lakhs for taxation (Nil) Rs 77.85 lakhs are available for appropriation (Rs 24.03 lakhs). Encouraged by the improved results, the directors have stepped up the recommended dividend from Rs 12 to Rs 15 per equity share which would claim Rs 27 lakhs, leaving a balance of Rs 50.85 lakhs, which is transferred to general reserve.

New Issues

Aurangabad Paper Mills is offering for public subscription 624,000 equity shares of Rs 10 each at par to raise a part of the finance for its Rs 2.72 crores project for the manufacture of wrapping kraft paper. The list for the fully underwritten issue will open on September 7. The plant which is being set up at Vahegaon in the Paithan Taluka of Aurangabad, a notified backward area, is expected to start trial production by February, 1978 and commercial production soon thereafter. The management is hopeful of achieving 90 per cent of the targeted production by the end of the third year. The company has been licenced to produce 5,000 tonnes of kraft paper a year, using the non-conventional wheat straw as the main raw-material, which will give the company the benefit of substantial excise rebate. With supply lagging behind demand, the management does not envisage any difficulty in marketing its products.

Shri Vindhya Paper Mills will issue on September 12, as many as 12,30,500 equity shares of Rs 10 each at par. The proceeds of the fully-underwrttten issue will be utilised for financing partly the company's Rs 1.73 crore expansion and diversification programme. The company's coating plant at Nasik (Maharashtra) has an installed capacity of 1,500 tonnes per annum. The main items of production are art paper, art board, chrome paper and black centred art card. It has launched an expansion programme to raise the capacity by 1,500 tonnes to 3,000 tonnes of coated papers. Later, it has plans to raise the capacity to 6,000 tonnes per annum, with the addition of certain balancing equipment. The company is also diversifying into the manufacture of laminated papers with an installed capacity of 2,200 tonnes per annum.

Capital expenditure of about Rs 40 lakhs has already been incurred. Commercial production of the first phase of expansion is expected to start by December 1977, which would increase the production capacity by almost 1,500 tonnes of coated and laminated papers. The second stage is expected to be completed by September 1978. During 1976 its sales totalled Rs 1.59 crores yielding a gross profit of Rs 14.44 lakhs. Equity dividend of 15 per cent was maintained on the enlarged capital resulting from the rights issue and had absorbed Rs 3.1 lakhs.

Janata party surveys its responsibilities to the nation

The Janata party working committee concluded a three-day session in New Delhi on August 21, after exhaustively reviewing the state of the nation and endorsing a series of proposals or suggestions for the party and also a set of recommendations to the central and state governments for promoting national integration, furthering the restoration of democratic norms and institutions, safeguarding the social and economic rights and interests of the scheduled castes and tribes and strengthening the party organisation through decentralised functioning so that public participation in the party's programmes could be ensured on a mass scale.

The working committee decided to set up a panel on Economic Policy, with special reference to Industrial Policy in the context of the party's emphasis on priority to agriculture and rural development. Pending the report of this panel, which will form the basis of decisions to be reached at the next session of the working committee to be held in October, the present session listed measures to be taken immediately for controlling the price level and relieving unemployment.

N PURSUANCE of a declaration nade by us in the manifesto, ne Janata Party is dedicated o the values and ideals of Gandhiji. We are committed o the task of building up Democratic Socialism based on Gandhian values in India rawing inspiration from our ch heritage and the noble raditions of our struggle for ndependence and freedom.

The political transformation nat has been brought about by ne people has added a new ontent of equality to our free- om. The masses have asserted nat the freedom which was chieved by the withdrawal of ritish rule in India would not e complete if the human ghts and civil liberties of the eople are not protected. The ctory of the Janata party was rought about by the united ill of the people of all sections f society against the oppressive le of the dictatorship.

The people gave mandate to nata party that the political ructure should ensure human ghts for all classes and for all tizens. All classes of citizens in this country are equal citizens and have equal civic rights irrespective of the religion, caste or community they belong to. The Janata party believes that the economic and social development of the country can come by united efforts of the people and in the modern state by the conscious and active involvement of the masses in various productive and economic activities.

That will require the rekindling of the spirit of nationalism which will not be chauvinism but nationalism of the awakened people where the higher castes and classes will have to make sacrifices, along with the weaker sections of the society. It will be a nationalism of the people where the weakest will come to believe that it is not only he who lives to labour for the country but the whole country lives and labour for strengthening the nation and for the production of goods and services required for the community.

Following the emancipation of the media, public attention has been focussed sharply on the plight of scheduled castes. Some of the harrowing tales of atrocities that have come to light make sensitive citizens hang their heads in shame that even after thirty years of independence, these hapless brethern of ours should continue to suffer such humiliation and oppression.

The problem may be a continuing one, or even an inherited one, but the Janata party committed as it is to the noble Gandhian concept of *antyodaya*, is determined to see that the entire official machinery at its command, as well as the capacity of its party cadres to arouse social conscience of the people for the cause of harijans is effectively mobilised to stamp out the injustice being perpetuated against this section.

If there are any elements in society who have been taking advantage of the new climate of freedom to indulge in acts of harassment of harijans, they must be identified and salutarily dealt with.

The long-standing problems of the scheduled castes have many dimensions—economic, social and religious. Any attempt to solve these problems must take into account the economic and social realities at a given time. The economic factors which lead to the incidents of atrocities, take many forms in the contemporary situation. As a result of greater political awareness and as a result of the unequal flow of benefits of development to the weaker sections, there is legitimate demand for higher wages on the part of the agricultural labour which is resisted by the traditional employer who is used to cheap, sometimes almost free, labour.

Upper Class Resistance

There is often resistance on the part of upper class to pay higher wages even when these have been statutorily notified by government and are fully justified not only by the price situation but even more so by the increastng profits of the employer. The problem is not akin to that of factory labour because caste gives sanction to exploitation. Where land, either from the surplus flowing from Ceiling Act or from government wastes, has been given to the scheduld castes, this has naturally helped some of them to become a bit more self-supporting than they were.

The self-reliance is not liked by the big farmers because it might give the labourer a stronger bargaining position for better wages. Certain forms of slavery or serfdom continue to exist in many disguises, often

hallowed by social custom and tradition or past debts of honour. Certain vested interests are afraid of losing these privileges.

The publicity given to the abolition of bonded labour has certainly brought into discredit the continuation of disguised forms of slavery also. These are some of the economic causes which form the background to the current backlash among a minority of the upper caste against the growing "freedom" of the lower castes, particularly scheduled castes.

Since the rural labour is not organised as factory workers and certain traditional beliefs sanctify the relation of master and slave between the employers and the employees who happen to be scheduled castes in many cases the situation quickly degenerates into a class conflict.

The problem could perhaps be contained by the law and order approach if it were a question of a few isolated instances of transgression by individuals who may have personal grievances. An element of caste hatred and class antagonism in fact seems to colour all incidents, even when the immediate provocation is local.

Sense of Insecurity

As a result, there is continuing sense of insecurity among the scheduled castes. The inequalities and disparities are the very roots of the so-called "class-war". It is only when the dialogue between the castes can be conducted in an atmosphere in which one is not "enslaved" to another that the process will begin towards a genuine erosion of untouchability and other discriminatory practices.

Since the problem arises from the plight of the scheduled castes, and the uplift of this weakest section of society is the core of the programme for amelioration of poverty, the economic programme should be based on enlarging the employment opportunities and improve earnings in areas of activity which are traditional to them. One of these areas is that of agricultural labour.

The first priority should be to prescribe and implement the minimum wages. This cannot be achieved by mere administrative action. The party must assist in organising the agricultural labourers so that they can protect the wages promised to them by law.

Redistribution of land arising out of land reforms, enforcement of ceilings acts and government lands should continue and be completed within a specific time. But land is a limited asset and the programme obviously has its limitations.

Surplus Land

What needs to be done—and this was shirked by the previous regime—is to reduce the glaring gaps between the land declared surplus, the land actually taken over and the land distributed especially to Scheduled Castes.

Much of the allotment of land at present is on paper. This should be rectified. Moreover, the party organs in rural areas should resist efforts to evict Scheduled Castes from the surplus and government land which has been given to them.

While the above two are intended to ensure that the gains lawfully due to Scheduled Castes are safeguarded, a more lasting solution is needed to enlarge the avenues of employment in rural areas and among depressed sections in urban areas.

Many traditional avenues have become restricted as a result of the intrusion of big industries into several occupations traditionally based on family units without any great advantage to the economy of the country.

A number of traditional occupations for which the Scheduled Castes are skilled need to be revived and protected on a big scale. For example, the hides and skins and leather industry carried on as a cottage and small industry needs to be helped to revive itself.

Cane Manufacture

Yet another industry which could be entrusted exclusively to the family sector is the manufacture of cane and bamboo products.

A major change could come about in the supply of nutritional food in the country by the development of animal husbandry—another activity traditionally carried on by the weaker sections. While a cow can sustain a family, its unkeep and maintenance does not interfere with other agricultural activities.

But caste goes deeper than economics. Whatever the economic origin of untouchability, the fact remains that the problem cannot be viewed as a purely economic one. Economic solutions will be muted unless simultaneously there is an attack on the whole concept of untouchability.

Untouchability happens to be just one step on the hierarchical ladder of the caste system. Past attacks on untouchability have not been so lasting because the whole structure of caste heirarchy was not questioned and undermined. Indeed, the Hindu caste system is a single hierarchical system in which untouchability is one link.

Moreover the continuance of the traditional caste relations while giving economic independence to the "lower" castes would lead to inter-caste tensions. The practice of caste should be abolished in toto. In order to create an atmosphere within which such a special campaign against the caste system can be promoted, it is necessary to focus public attention dramatically on this issue.

A symbolic gesture is called for on the part of the political leadership. One such gesture would be a declaration that henceforth no one should use a prefix or suffix to his name as to denote his caste or sub-caste. Such a step would be a starting point for a long-term campaign to destroy the cultural credibility of the caste system.

Important Factor

The most important factor in keeping up the class and caste distinctions in society is our educational system. Rather than creating a citizen identified with the people it creates a new class as distinct from the common man. A person not knowing English is treated as uneducated. So the education system needs radical change.

The so-called public schools are representing the traditional inequalities between the high and the low, the rich and the poor. The Janata government should abolish these public schools. Regarding the primary classes, the recommendation of the Education Commission for neighbourhood classes should be implemented with vigour.

The stigma of untouchabili

nust be effaced through legal nd educational measures. The pproach should be to give riority to the weakest among ne weaker sections. With egard to reservation in services, cholarships, they must first o to the lowest among the epressed classes, namely to ne scavengers and other castes oing similar work.

It has been observed that rovision of reservation for ervices is not implemented, ne Janata party must make it point to see that the jobs oth in public and private ectors are given for the weaker ections proportionate to their opulation.

Reservations should be made r the members belonging to ne Scheduled Castes and cheduled Tribes of the society respect of licences, permits, uotas and other commercial ctivities which do not require ny special technical skill.

enami Transfers

While implementing these roposals, care will have to be ken that benami transfers are ot allowed and real benefits ould go to these classes. The ansferee should be suitably nished.

The chief ministers in the ates should take upon themlves the responsibility of e Departments of Scheduled stes, Scheduled Tribes and norities.

Appointments to governent service for Scheduled stes, Scheduled Tribes and ckward classes should be de as recommended by the ka Kalelkar Commission.

Scheduled Castes, Scheduled ibes and backward classes ould get earmarked allotnts from the Plan and the nual budget. It is suggested t the money so allotted should be generally proportionate to their population.

Public source of drinking water both in rural and urban areas should be made available to all sections of the society.

The success of the Janata party to which Muslims also contributed in a massive way has aroused expectations and aspirations which enjoin the Janata party that some tangible steps should be taken. The Aligarh Muslim University Act should be reviewed with a view to affect such amendments as are necessary. Immediate steps must be taken in this respect in the coming session of the Parliament.

Minorities Commissions

Janata party government should appoint two commissions:

(1) Minorities Commission, and

(2) Commission for Scheduled Castes & Scheduled Tribes.

Recommendations of these commissions should be binding on the government.

In some states, lists have been prepared of backward communities belonging to all religions. A list on the same lines may be prepared by the central government and rest of the states to assist the backward classes of all religions in matters of education and economic development. Neo Buddhists must also be included among the backward classes.

Some states have established finance corporations for economic development of the Scheduled Castes. Scheduled Tribes and minorities, etc. Same should be done in all the states and at the central level.

Bank loans in adequate measure should be given to the

Department of Atomic Energy

Directorate of Purchase and Stores

The Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below :

1. DPS:BARC:PPF: 2938 due on 30.9.77- Seamless Stainless Steel Pipes conforming to ASTM-A-312 Grade TP-321/347 as per purchaser's tender specification.

2. DPS:BARC:PPF:2941 due on 30.9.77. Forged Stainless Steel Fittings Butt welded & Socket Welded Grade F-321/347 ASTM-A-182 as per purchaser's tender specifications.

3. DPS:HWP:PPF:643 due on 3.10.77. Supply of Process Gate, Needle/ Globe Valves as purchaser's tender documents.

4. DPS:BARC:PPF:2943 due on 3.10.77. Supply of Austenitic Stainless Steel slip-on welding flange as per purchasers tender document.

5. DPS:RAPP:PPT:162 due on 4.10.77. Commercial quality M.S. Pipes conforming to IS:1239 as per purchaser's tender specification.

6. DPS:PPED:PPF:981 due on 7.10.77. Supply of Seamless Stainless Steel Pipes as per purchaser's tender documents.

7. DPS:BARC: R-5:PPF: 194 due on 10.10.77. Supply of Seamless Stainless Steel Pipes and pipe fittings as per purchaser's tender specifications.

8. DPS:PPED:PPF:997 due on 12.10.77. Supply of Forged Seamless Stainlees Steel fittings (ASTM-A-182 F 304) as per purchaser's tender documents.

9. DPS:DAE:EEQ:6 due on 14.10.77. Supply of Electric Geysers, instantaneous type, 1-3 KW—232 Nos. as per specification.

10. DPS:BARC:CAP:2629 due on 17.10.77. Floor scrubing machine and serifying unit complete with electrical equipments connected with a wet vacuum cleaner, as per purchaser's specification. 4 Nos.

11. DPS:NFC:CAP:475 due on 24.10.77. Roller tables with stocking skids for circular saws, as per purchaser's tender document.—6 Nos.

12. DPS:RRC:FAB:196 due on 24.10.77. Design, manufacture, inspection, testing and guarantee of articulated Master Slave Manipulators for use in Hot Cells of capacity 5 Kgs as per Purchaser's technical specifications—La Calhene Model MA-11 or equivalent:

a. 250 mm lead shielding wall	..	Qty 3 pairs
b. 200 mm lead shielding wall	..	Qty 2 pairs
c. 150 mm concrete shielding wall	..	Qty 1 pair

13. DPS:BARC:CAP:2604 due on 25.10.77. Single head, double diaphragm type metering pumps, capacity 100 litres/hr.—8 Nos., and double headed, double diaphragm type metering pumps, capacity 100 litres/hr, each head—4 Nos., as per purchaser's specifications.

14. DPS:BARC:IEE:1257 due on 25.10.77. Lithium drifted germanium gamma detector with amplifier and cryostat. One No.

15. DPS:RRC:IEE:320 Hygrometer to measure moisture in air and inert gases. One No. due on 26.10.77.

16. DPS:BARC:EEQ:2777 due on 26.10.77. Supply of Radio Frequency induction heater—1 No. as per specification.

17. DPS:RRC:IEE:321 due on 27.10.77. Liquid metal oxygen meter electro mechanical type.

18. DPS:BARC:IEE;35 due on 27.10.77. Fixed head per track magnetic Disc. memory system. 1 No.

19. DPS;NAPP(PPED): CAP: 27 due on 28.10.77. Design, manufacture guarantee and supply of bladder accumulators, max. working pressure 211 kg/cm² (3000 PSIG), precharge gas pressure 70 kg/cm² (1000 PSIG), for water services 3.8 litres—14 nos., 19 litres—4 Nos. and 38 litres—8 Nos., as per purchaser's specification.

20.DPS: NFC:CAP:477 due on 31.10.77. 3.2 tonne stacker crane with span 30 metres, as per purchaser's tender documents. 1 No.

Tender documents price Rs. 10/- for items 5 to 8, 15, Rs 15/- for items 2 to 4, Rs 20/- for items, 1, 17, Rs 25/- for items 9, 10.13.14,16, Rs 30/- for items 18,19, Rs 50/- for item 11, Rs 100/- for items 12 & 20. and general conditions of contracts price Re 0.50p for all items except item 12 can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase & Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay 400 001, between 10 a.m. to 1 p.m. on all working days except on Saturdays for all items except items 10,11,13, 19 & 20 for which tender documents can be had upto 13.10.77, 17.10.77, 25.10.77 respectively. Import Licence will be provided only if the items are not available indigenously forall items except items 9 & 16. Tenders will be received upto 3. p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tender in part or full without assigning any reasons.

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Scheduled Castes, Scheduled Tribes, minorities, backward classes and Muslims so that they may be helped to participate in the various schemes of development.

There should be minority cells at all levels of Janata party to involve all minority communities more actively in the functioning of the party. There should be adequate representation of minorities. Scheduled Castes and Scheduled Tribes and women at various levels of the organisation.

Tribal interest in land and forests may be safeguarded. The forests policies should be so formulated that the forest contractors cannot exploit them. Forest villages should be converted into revenue villages. Tribal cultures are part of India's varied heritage and should be given protection and encouragement. Whenever an industry is established in the public or private sector by the displacement of the tribals from their land, they should be given priority in the matter of employment.

The above are some suggestions by the implementation of which the weaker sections of our society should be made to become equal partners in India's march towards the establishment of an egalitarian society to which the Janata party is committed.

Draconian Measures

The Janata party is committed to the abrogation of MISA and other draconian measures including the provisions of the 42nd Amendment of the Constitution. The President may form a committee to study and make necessary recommendations so that suitable legislation could be gone through in the winter session of Parliament.

Certain fundamental rights have been guaranteed to the religious and linguistic minorities. A suggestion was made that they should form a part of the basic structure of the Constitution so that they are not subject to the amending power of Parliament, thus removing the apprehension in the minds of minorities that they could be abrogated by a ruthless majority.

This suggestion has been recommended to the Home ministry for examination.

Working Group

The President may constitute working groups to go into the issues of:

(1) Decentralisation from centre to state, state to district and district to panchayat.

(2) Code of conduct for legislators and public men.

(3) Problems of border states.

(4) Problems of southern states.

(5) Election in Maharashtra, Andhra Pradesh, Karnataka, Assam and Nagaland.

(6) Eradication of corruption.

The working committee of the Janata party reviewed the economic situation in the country. The committee is of the firm opinion that the problems created by mismanagement of economy in the past will call for a radical departure from the priorities of yesteryears to new priorities of planning and investment.

While further thought needs to be given for spelling out relevant strategy for our country, the working committee would like to indicate its views to the government and the people about the urgent problems of stemming price rise and launching upon a programme of providing employment to our people.

The committee viewed with considerable concern the inflationary trends in the economy. Undoubtedly, the new government has inherited, from its predecessor, a legacy of policies and programmes which resulted in this high cost economy and uncontrolled inflationary spiral.

No matter what the reasons, the people expect the Janata government to contain inflation and to hold prices at reasonable levels.

Towards this end the committee recommends the union and state governments to take among others the following necessary steps immediately:

1. an affective control over the money supply position;

2. a regulation of the credit mechanism;

3. stimulation of the greater production of essential articles of mass consumption so as to bring about better balance between demand and supply;

Public Distribution System

4. Improvement both intensively and extensively of the public distribution system coupled with unhesitating utilisation where and when necessary of all the powers available under the Essential Commodities Act to deal with hoarders profiteers, blackmarketeers and other anti-social elements—the Essential Commodities Act made more stringent;

5. Utilisation of the large foreign exchange reserves imaginatively to import to the fullest extent necessary edible oils and industrial raw materials so as to meet fully the requirements of the economy and to maintain an adequate buffer stock;

6. Effective procurement to build up large buffer stocks of essential commodities like edible oilseeds etc to meet the requirements of consumers;

7. Review pricing policies of agricultural commodities with the dual purpose of providing adequate incentives for the growers and protecting the interests of the consumers and to bring about a shift in production in order to meet consumer needs like edible oil seeds, pulses etc.

Managerial Performance

8. Insistence on better managerial performance both from the public and private sector with a view to achieving cost reduction and consequent price reduction;

9. Set up an autonomous price and quality vigilance board to keep a watch over price hikes and to ensure quality maintenance by industrial houses and to protect and promote consumer interests in general; and

10. To use the buffer stock of foodgrain puposefully to exert a sobering influence on open market prices of foodgrains which would have a sympathetic effect on the prices of other commodities.

The price situation calls for continuous vigil on the part of the administrative machinery. Cells for monitoring prices should be set up in a large number of centres and senior officers should be directed to go round markets to keep themselves personally informed of the trends in prices of essential commodities.

The working committee calls upon the party workers to maintain vigilance by helping the people to organise vigilance committees for looking and preventing hoarding of essential commodities.

The party is confident that

implementation of the above programme, given peoples full cooperation, will bring about decline in prices, as over a broad front the price rise has already been arrested.

The working committee believes that steps must be taken at once to increase employment opportunities. It advises the central and state governments to draw up concrete programmes and specific proposals for launching a rural works programme such as drinking water, soil conservation, minor irrigation, drainage, afforestation, etc; a programme of construction of roads and accelerating construction of railway lines; and for embarking upon a programme of construction of housing for the common people.

Such a comprehensive programme undertaken through decentralised planning at the block and district levels should mark the beginning of government's determination to end unemployment within a decade.

Reservation of Field

The working committee further advises the government to specify concretely industries/ industrial production which will be reserved for the decentralised sector. The party's policy will be that what can be produced by cottage industry shall not be produced by the small-scale sector and what can be produced by the small-scale sector shall not be open for large-scale industry.

The reservation of field must be clear and where necessary statutorily defined. The only exception that may be considered will be for production that is entirety for export.

The working committee is happy that considerable amount of discussion is going on in the country on reorientation of the nation's politics. In the light of concrete steps that will soon be taken, the working committee hopes that the discussion will achieve a sharper focus and prove to be more meaningful.

Struggle against Corruption

It was in the context of struggle launched against corruption and mal-administration that the idea of Janata party took birth. During the dictatorial regime political detenus gave shape to this idea. After the release of leaders the Janata party placed before the people its election manifesto, defeated the dictatorial government in the Lok Sabha elections and restored democracy in the country. Thus one party monopoly and its rule which had continued for 30 years came to an end, and with the formation of Janata party government a new era has begun.

On the May 1, different constituents of the Janata party dissolved their separate entities and constitutionally merged into Janata party. Subsequently, elections to 9 State Assemblies were announced. The Janata party government had suddenly to get involved in these elections. The party succeeded in these elections and it had to shoulder the responsibility of running the administration in these states.

The Janata party in different states was ordinarily functioning through election committees only. Now Pradesh Committees are being constituted in all the states to carry on organisational work. This job will be over by the August 31, 1977.

Reconstituted Pradesh Committees will complete the work of setting up District Ad-hoc Committee in their respective states by October 15, 1977.

Pradesh Committees through the Pradesh Committee Office will get membership books printed for their respective pradeshes. These membership forms will have signatures (block seal) of the party President Chandra Shekhar, on the receipt counterfoils. All these membership forms will be serialised in print and the Pradesh Committee offices will keep an account of the membership form receipts.

Membership

Pradesh Committees will issue membership forms to district committees. District committees will on their own responsibility distrbute membership forms to the party workers at different levels in their area to carry on the membership campaign.

District Committees will keep an account of membership fees so collected. It will be the responsibility of the District Committee to distribute the collected membership fee to different committees according to the provisions of the constitution. The District Committee shall also render account of membership fee receipts to the Pradesh Committees. The District Committee shall also maintain the list of members enrolled by other subordinate committees in the district. Membership campaign will continue till January 31, 1978.

There should only be one office at the centre, state or other levels of the Janata party. Most of the offices of the former constituent units of the Janata party have already been closed and the remaining should also be closed forthwith. The main emphasis should be that the Janata party office should be the centre of the party workers' activity.

The Janata party is composed of five constituents units. Different constituents have had their own style of working. Those who do not belong to any constituent units have had also their own distinct aptitudes. The primary need is to evolve emotional integrations within the party. All of us shall have to make an endeavour in this direction.

At the time of elections and formation of ministries attachment to their former parties came up and it was not unnatural. This feeling may also get manifestation at the time of setting up Pradesh Committees. But, such feelings obstruct the way of emotional integration within the party. For the healthy development of the party it is absolutely necessary to put an end to such a necessary to put an to such a feeling. Leadership at different levels should be very careful that merit is given due consideration and none becomes aggrieved due to any prejudice or favouritism.

Equal Treatment

Leadership at every level will have to endeavour to treat all party workers equally without any obsession or past attachment to one section or another, so that the process of emotional integration is expedited.

The party workers should also forget the past affiliations of the leaders and should also help and cooperate in achieving the object of emotional integration within the party.

Any worker who feels aggrieved should not take resort to the press or public platform to express his dissent, but either through mutral discussions

or with the help of senior leaders he should sort out the differences.

The Janata party is now functioning as a ruling party. Therefore it is absolutely necessary that it should classify and strengthen its ideals and its dedication to them, so that there could be rapid progress in the direction of emotional integration.

Congress leaders and their allies are making desperate attempts to split the party and instigate differences among the constituents, and are engaged in mischievous propaganda to regain power. It is their strategy to create differences amongst us. Our workers should be fully vigilant of the evil designs. We can meet this challenge successfully with complete faith in our ideology and with a sense of dedication to it.

National Camp

Therefore, in the month of October a National Camp of at least five days will be organised. All members of the working committee, central ministers, state ministers of the Janata party in different pradeshes, pradesh office-bearers and prominent workers in different fields will attend this camp. Subsequently, five-day camps will be organised at the pradesh levels for other party workers.

We shall have to work with much vigour in different areas.

Keeping this in view a National Women Committee has been set up with Mrs Mrinal Gore at its convener.

To organise work among students, youth and labour, a committee of the following members has been set up:

1. Mr Madhu Limaye (convener).
2. Mr Sunder Singh Bhandari.
3. Mr Surendra Mohan.
4. Mr Arif Beg.
5. Mr Y. Ramakrishna,
6. Mr Janeswshar Mishra

Two-day conference of Harijans and tribal workers will be convened on September 21-22, 1977. The conference shall chalk out a programme for these classes.

Labour Conference

A conference of the party workers who have some influence in one trade union or the other is convened on September 10-11, 1977, in New Delhi with the object of merging them into one Trade Union Federation. In consultation with these workers a labour committee will be set up.

A Farmers' Organisation will be set up to work for the peasant.

To evolve Janata party as a mass-base party, it is essential that our workers should work among all sections of the society at every level and help the people to solve their problems. Workers' Training Camps at the pradesh level at different places will be organised to train such a cadre of workers.

The Janata party workers will be inspired to actively participate in different constructive works so that in the country's development and reconstruction the common man may be an active participant.

A Code of Conduct for ministers, MPs, MLAs and workers of Janata party will be formulated and all concerned will be informed later.

The central office will publish Hindi and Engiish fortnightly journal as its official organ.

Brochures will be brought out from time to time on important issues from the central office.

1. A campaign to bring a change in the attitude of traders and businessmen so that they may not make illegitimate profits.

(a) With a view to educate them leaflets will be published and distributed:

(b) Make available to the consumers information regarding production-costs, middle man's profit and sale-prices.

(c) To curb hoarding, keep a watch on hoarders, this movement will be carried on by women workers.

(d) To propagate Gandhian ideology, which includes Democracy, Socialism and Decentralisation ,literature will be circulated.

(e) With a view to eradicate the evil of caste distinction there should be only common source of drinking water in every village.

(f) To organise farmers and landless labour for productive work and to prepare them to be vigilant to get social justice.

Training Programme

2. Workers' training programme will be organised at the district and block level. Party workers will be given complete knowledge of the party's ideology and to work for their areas' development. They will also be trained to tackle problems of different sections of the society and to organise voluntary labour.

3. With a view that the Janata party organisation gets inspiration from the common man and works under the common man's influence. It is necessary that farmers' organisation or agricultural labour organisation should get affiliation from the party in that area and these organisations should also get representation in the regional commitees.

To set up Consumer Cooperative Stores at different places and open centres for the sale of essential commodities. The cooperative societies will be run with the object of curbing profiteering of traders by supplying goods at more competitive prices.

4. To set up committees for rural areas:

Land Allotment

(a) These committees will find out if lands allotted to Harijans in the countryside for agriculture or housing have been legally allotted to them or not. If rights have not been transferred to them, efforts should be made through the government to get them possession of those lands. To find out the persons whose holdings are larger than the ceiling of agricultural holdings and to move the government to get the ceiling implemented.

(b) To make an effort to get employment for particularly educated unemployed Harijans.

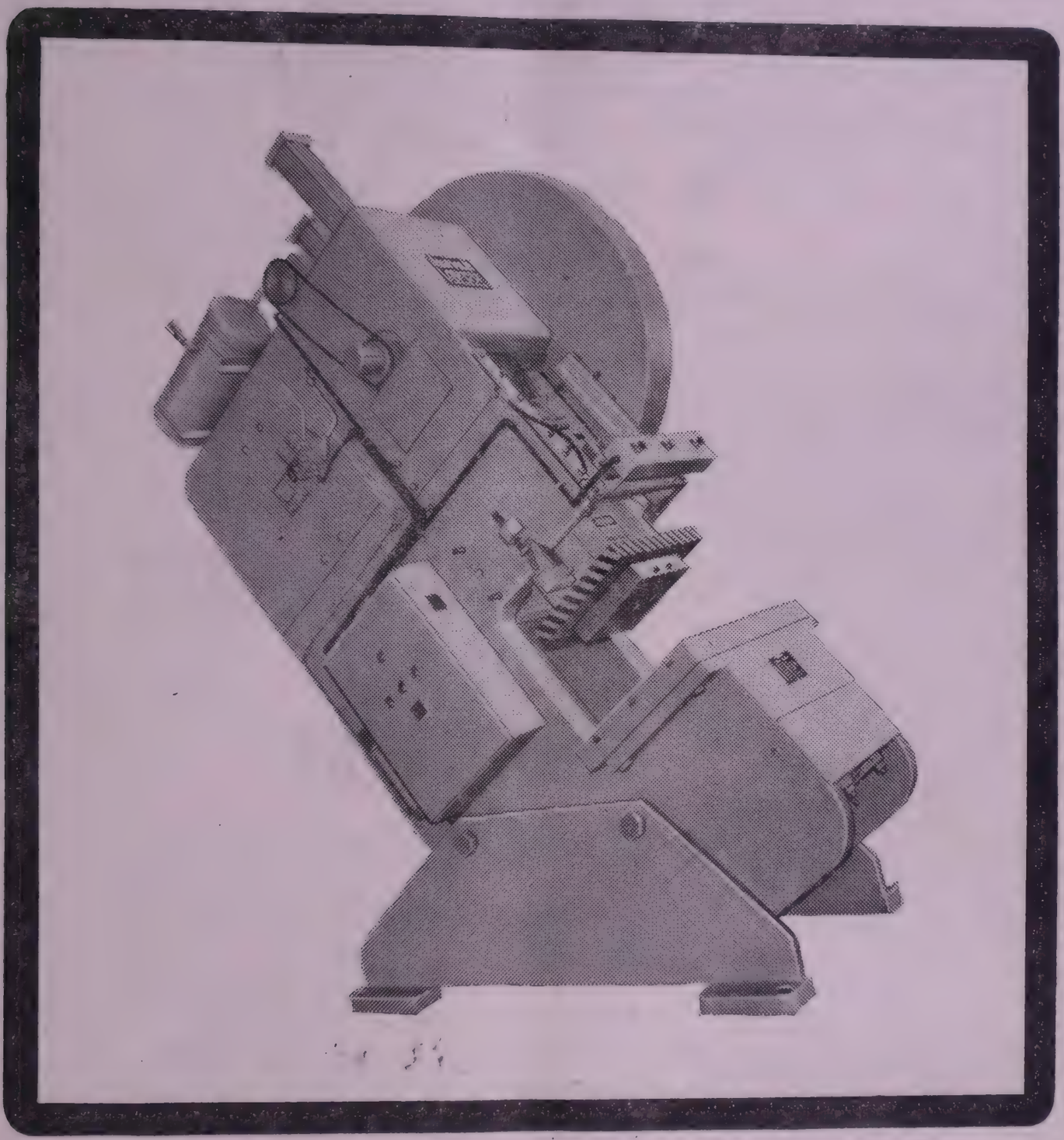
5. Many state governments have opened fair price shops for Harijans but rich persons in the names of their servants (who happen to be Harijans) take shops and earn huge profits. Such malpractices should be examined and the offenders should be debarred from getting allotment of such shops.

Efforts will he made to make available drinking water to every village where drinking water facility is not provided.

Steps will be taken to eradicate untouchability in villages.

In order to translate this programme into action preparations will have to be made from now onwards. Number of teams will be constituted for this purpose and they will be allotted villages to carry on this task. From October 2, Mahatma Gandhi's birthday, this campaign will be launched throughout the country.

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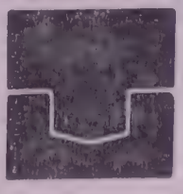


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The pudding is the proof

THE SETTING up of a sub-committee of the ministries of Finance, Energy, Petroleum and Chemicals and Industry for taking immediate action to relieve the power crisis in the country is about the best news we have had for some time. Only a few days ago Mr George Fernandes had identified the power shortages in various parts of the country as the main obstruction to current industrial production. He has evidently been able to impart a sense of urgency to the government as a whole so much so we now have the minister for Energy informing the country that the assistance of the West German power plant owners' association is being sought for improving the standards of operation and maintenance of electricity stations or systems in this country. Mr Fernandes evidently realises that, as minister for Industry, he should be, first and foremost, an initiator and coordinator of strategies for keeping the wheels of industry moving. The industry portfolio is one of those ministerial responsibilities the due discharge of which can and will be tested by concrete results. The proof of the cook, in this case, is strictly in the pudding.

While Mr Fernandes has correctly evaluated the restrictive impact of the power shortage on the utilization of installed capacity in industry, he seems inclined to underestimate the adverse repercussions of the pressures acting on industrial peace. It is probably true that the dimensions of labour trouble have been exaggerated by some industrialists or spokesmen of industry. This, however, may not be because there is any deliberate attempt at misrepresentation. Quite obviously there is a good deal of uncertainty and genuine anxiety in the minds of managements; and the resultant weakening of confidence in the outlook for industrial relations has interfered with the objectivity of some of the assessments which have been made of the present state of industrial relations or the prospects. This, however, should not come in the way of the Industry minister making his own realistic appraisal of the need for underpinning the stability of industrial relations through appropriate and timely action at least in all those areas which come within the sphere of the government's large responsibility for sustaining and improving production and thereby ensuring adequate supplies of essential goods to consumers and community needs.

It may be accepted, perhaps, in this context, that the government's decision on bonus has been prompted as much by a desire to rule out provocation to disturbances of industrial peace as by any other consideration. Unfortunately, it is by no means certain that the restoration of the *status quo ante* in the matter of bonus will necessarily reduce to a minimum the possibilities of trouble in industrial relations. On the contrary there is already sufficient evidence that many corporate managements think it prudent not to be too optimistic. Quite interestingly a few company boards have announced payments additional to bonus at the ceiling of 20 per cent decided upon by the government, thereby reducing in those cases the official maximum limit on bonus to a dead letter. They have done so because, ceiling or no ceiling, trade unions are in a position to squeeze more out of bonus negotiations. Everybody concerned is only too conscious of the fact that the state governments or the local administrations concerned may be unwilling or unable or both to come to the effective support of managements in the event of production being threatened by such tactics as go-slow, improvised trade disputes or unofficial strikes. To put it bluntly, industry lacks the confidence that the authority of the state could be summoned to its aid even where just cause exists for such summons.

Lest this view be accused of partiality, we hasten to appeal to the actual experience of business leaders. Mr Viren J. Shah, a Rajya Sabha MP and a leading member of the Working Committee of the Janata party, who moreover, cannot be a stranger to Mr George Fernandes, has had to face recently problems of labour unrest in his capacity as chairman and managing director of Mukand Iron and Steel

Works Ltd. One of his major difficulties was that, even when workers indulged in illegal acts, such as gheraos, against management personnel, the police, although present on the spot, failed to carry out their duty of maintaining law and order. According to Mr Viren Shah, this was because the police machinery, by and large, was under the impression that the government did not want it to intervene or otherwise act to prevent even violent demonstrations by workers. As a result of the representations made to it by Mr Shah and other industrialists in the Bombay region, the government of Maharashtra appears to have taken measures to correct this unhappy situation and issued appropriate directions to the police authorities.

undesirable activities

The chief minister, while making a public appeal to employees and employers in the state to maintain industrial peace, declared also equally publicly that it was undesirable for employees to take the law into their own hands while holding demonstrations in support of their demands. Nevertheless, the fact remains that in the states in which elections to assemblies are due to be held early nex year, the ministries in office may not bet over-keen on acting in any manner which may antagonize trade unions or alienate the labour vote. Even otherwise, the Congress party in the country at large and the Congress-CPI alliance in the Kerala government may have no scruples about fishing in the troubled waters of industrial disputes provided they could thereby inflict political losses on the Janata party or its administration in the centre or in the states.

The situation is further complicated by the fact that the lifting of the emergency also lifted the lid off the trade union kettle. Especially with the struggling emergence of new political patterns in the nation various trade union leaderships are jockeying for positions of power, privileges and perquisites. A particularly interesting feature of the situation is that the Janata party as such has as yet no position in the trade union movement. Its socialist component—for we still have to speak of "components of the Janata party" in certain contexts or circumstances —no doubt has a recognisable position in the politics of organised labour, but the other components do not have solid links of this kind. In contrast, the Congress party retains a firm and substantial footing in the politics of trade union movement. Both the CPI and the CPI(M) are of course very much in the picture. The communist influence, in some cases of the CPI complexion, in some others of the CPI(M) colour and in still others of both hues, is particularly conspicuous in West Bengal, Tamil Nadu, Kerala and Maharashtra. There are, moreover, regional parties with trade union extensions. Cases of this kind are not many, but DMK trade-unionism in Tamil Nadu, for instance, is not a negligible proposition.

Given this situation, there is naturally violent trade union rivalry in many parts of the country and this threat to industrial peace is of a kind which the Janata party is clearly not in a position to control through persuasion or pressure. In other words, the authority of the Janata party, where the industrial situation is concerned, has strict limits and even such of its leaders as have a prominent trade union background or status cannot but be mindful of the necessity of husbanding their capital. Even as the Industry ministe was trying to reassure the public tha 'labour troubles' are not as serious they are painted to be, two industri undertakings managed by a promine business group in Tamil Nadu were bei put out of business for the time bei because trade union rivalries have com licated the process of negotiating disput over productivity norms. These closur are only the latest casualties in what ma well become a war of attrition if Jana diplomacy persists unduly in playing dow a problem which is clearly not one to slept over, talked out or wished awa Mr M.R. Masani, writing in *The Indi Express* of September 1, has complain that "the pampering of those wh take part in illegal strikes has result in the loss of 4.2 million mandays du ing the last four months." If Mr Geor Fernandes or Mr Madhu Dandava were to retort that industrial pea is more than a matter for the police, th journal would readily agree with him. Bu then, are we not entitled to ask where a the signs of that statesmanship whi should bring management and labo together in a national production effo before more damage is done?

Planning the Planning Commission

THERE IS a good amount of agitated speculation in the press about the government's intentions regarding the role of the Planning Commission in the future. There is a certain element of artificiality in this fuss-making because, over the years, the Planning Commission has not aroused much enthusiasm in many quarters. On the contrary the general disposition has been to regard it as a fifth wheel in the coach. Indeed there has been a number of hardy and popular quips and witticisms about the Yojana Bhavan. One familiar joke has it that hippies wandering into the capital regularly knock at the portals of Yojana Bhavan, believing that it is in the business of teaching yoga to foreign aspirants. No wonder the prime minister, who is not an unduly distrustful person, is nevertheless inclined to suspe the inspiration of interested briefing behi press criticisms of the government's *vich* (thinking) on the restructuring of t Planning Commission's functions, ev before anything much is known abo the nature of that *vichar*.

Assuming that some basic or radic thinking is going on in the government more specifically the prime ministe office about how exactly the Planni Commission could be made more usef we fail to see what could be in it to tou off heated controversies. One denunci tory declaration is that the pri minister's office and the Finance minis are conspiring to downgrade the Planni Commission. This complaint betra acute status-consciousness and even

oing to lose even a night's sleep. There ave always been debates on the Planning ommission. It may be recalled that, even efore the Planning Commission could egin to grow to be much more than a pul- ng infant, the then Finance minister, late ohn Mathai, felt that something should e done to cut it down to size. Indeed he elt so strongly about it that he resigned rom the cabinet. Mr Mathai's fear was hat the Planning Commission could evelop into a super-cabinet and, in that articular sense, function as an extra- onstitutional authority. In retrospect, he good doctor's diagnosis could be seen o have been wrong. If the Planning ommission fell ill, it was not megalo- ania, but Parkinson's disease even before rof. Northcote Parkinson had written it p. The Planning Commission, indeed, ad become a major sick industry long efore the cotton textile industry or the gar industry. If the government is to art treating sick industries there is no eason why the Planning Commission hould be denied its share of medical tention.

a course of acupuncture

The prime minister, at his press con- rence last week assured the press that o destructive surgery was being con- mplated. What the government may ave in view is probably a course of cupuncture, which seems to be appro- iate considering that Janata leaders, from r Subramanian Swamy upwards, are ow advocating the normalization of our lations with China and more positive operation between the two countries.

There have been dark hints in the press at the bureaucracy—that always acces- ble villain for any melodrama in the overnment—is conspiring to reduce the portance of the Planning Commission nder cover of restructuring its responsi- lities or rationalising its functions. here has been mention of the cabinet cretary while the Finance minister has so been duly brought into the picture, obably because the holder of that office w, Mr H.M. Patel, is a retired member the Indian Civil Service.

However, this particular charge that the Planning Commission is being robbed of its significance is easily met. The chairmanship of the Planning Commission has always been with the prime minister and the Finance minister has always been one of its members. The present govern- ment has gone much further. It has nominated two of its stalwarts, the Home minister and the Defence minister, to the membership of the Planning Commission. Again the present vice-chairman of the Planning Commission has been attending informal meetings of cabinet ministers at which there have been general discussions of policy. This is more than a gesture for it is clearly meant to keep the vice- chairman well-informed and personally aquainted with any of the thinking that may be taking place at the highest level of the government even before this think- ing starts leading to formal consideration of policy decisions. It is true however that there is no minister for Planning as such whereas there were occasions in the past when there was not only a minister for Planning but the vice-chairman of the Planning Commission was that minister. The present prime minister has not favour- ed this arrangement in forming his council of ministers or allocating port- folios, but this does make sense in the light of his purpose, now clearly indi- cated, of undertaking a fundamental review of the role of the Planning Commis- sion and its members.

It is important to make an emphatic reference to the prime minister in this context. The initiative has come wholly and directly from Mr Morarji Desai for the current *vichar* on the reshaping of Yojana Bhavan. It is he who has set the guidelines for the discussions and the paper work. The prime minister's purpose seems to be to ensure that the Planning Commission becomes the government's "think tank" for the purposes of the plan- ning process. He evidently seeks to re- organize its concepts and responsibilities, its machinery and its methods and in- deed its very *raison d'etre* in such a way that its main work will be on long-term strategy and policy, on the monitoring and the implementing of the five-year Plans, not with reference to their nagging details, but in terms of their targets, time-table and directions.

Drawing on his vast experience in government, which includes his experience in the working of the Planning Commis- sion through the periods of the various five-year Plans, the prime minister has apparently concluded that it has been a grievous blunder to burden the Planning Commission with such chores as sharing responsibility with central ministries or

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state governments for the vetting or processing of individual proposals or projects, whether in the public sector or the private, which might be regarded as falling within the jurisdiction of the five-year Plans or the schedules of the annual Plans. If responsibility is to be fixed on central ministries for the economic, efficient and timely execution of Plan schemes in the public sector or if those ministries are to be held accountable for blunders or delays in the proper and prompt processing of private sector projects which need New Delhi's clearance, it is only right and proper that time-consuming procedures are not deliberately built into the working of the government by extending the processes of consideration and decision, thereby causing more files move more times, more slowly between the central ministries and the Planning Commission. In the same manner if there is to be effective decentralisation of the planning process and indeed the business of the government generally—as there must certainly be—, state governments should not be required to make regular and frequent pilgrimages to Yojana Bhavan for discussing annual Plans or allocations for individual projects or schemes. Only then the responsibility of the state governments for realistic planning or resource mobilisation or their accountability to the public could be made compelling or enforceable.

positive side

The po itive side is even more important. If the nation's planning experience so far has taught it any lesson at all, it is that the five-year Plans we have had until now, whether taken individually or considered collectively, have been missing the wood for the trees. The concept of perspective planning has been ritually worshipped no doubt and there is also a perspective planning division in the Yojana Bhavan. All the same we have been consistently selling short the development process, with the result that problems of poverty, unemployment, rural-urban imbalance, income disparities and social tensions are not only becoming more complicated but also increasingly unrelated to solutions attempted for the crisis situations that continually plague the government's day-to-day management of the economy. If by relieving the Planning Commission of the work that belongs elsewhere, it could be ensured that this organization could more effectively undertake functions which cannot be performed elsewhere, a great blow would indeed have been struck in the common cause of good planning and good government. That the prime minister has taken up this enormous burden of reform with such an obvious sense of urgency, surely reflects great credit on h sense of priorities. Since time is the scarce of our scarce resources, no time should b lost in outlawing time-consuming mecha nisms and procedures for the execution o today's projects or the shaping of tomo row's plans. We owe it to him to awa his scheme before giving it a bad name.

Come clean, Mr Dandavate

THE RAILWAY minister has decided to reward railwaymen for their "excellent performance" during the five months ended July this year. The quantum or the nature of the payment that would be made to 1.7 million railway employees has not been disclosed. All that Mr Madhu Dandavate is reported to have stated at a recent press conference in Bombay is that the *ad hoc* payment in lieu of the bonus would be made before Divali in October and that an announcement in this regard would be made in the second week of the current month.

It may be recalled that the railway strike of 1974 was triggered off by the refusal of the central government then in office to concede a series of demands of railwaymen which also included the payment of bonus. Mr Madhu Dandavate has pointed out that the question of payment of bonus to railwaymen under the present government's decision restoring the *status quo ante* with regard to the Bonus Act does not arise as they were not covered by that act. But he realises as clearly as anybody else that peace cannot be bought on the railways without a payment to railwaymen on some ground or the other.

The railwaymen, however, seem determined to look Mr Dandavate's gift horse in the mouth. Mr S.M. Shukla, president of the Central Mazdoor Sangh and vice-president of the National Federation of Indian Railwaymen, has stated that the promised *ad hoc* payment amounted to "bakshish" (charity) while the workers have been fighting for bonus as a matter of right. He has shown his resentment in unmistakable terms regarding the failure of the government to concede th demand of the railwaymen for bonu while it had been extended to employee in other public sector undertakings includ ing the nationalised banks. This take the debate to another controversial topi —that of defining the wage, income an price policy of the government. Th Congress government fiddled with it fo 30 years without being able to grapp with it. And now the Janata governmen is holding out the hope that it will soo be able to deliver a Daniel's judgment.

While the spokesmen of railway emp loyees have exhibited their displeasur with the suggested *ad hoc* payment, M Madhu Dandavate has made an elaborat effort to justify the "reward" to railway men. He has tried to make out that th tempo of work which had been built u in 1975 and 1976 was maintained in th first five months of the Janata rule. M Dandavate has stated that the railway carried 70.36 million tonnes of freigh and 1152 million passengers in Apri July 1977 as against 67.86 million tonne and 1084 million passengers in the co responding period in 1976. Similarly gross earnings were Rs 712.87 crores an working expenses were Rs 480.47 crore in April-July, 1977 as compared t Rs668.60 crores and Rs 475.26 crores re pectively in the corresponding perio last year. Consequently, the net increas in surplus over the budgeted figure is a ready around Rs 29.83 crores.

The movement of coal and foodgrai also registered a significant improvemen A record number of 9,831 wagons coal was loaded during April-June 197 in July, daily loadings were about 10,00

vagons a day—a level which is usually ttained in the busy January-March eriod. Similarly, the movement of oodgrains at 6.77 million tonnes during April-July 1977 showed a significant im-rovement over the performance in the orresponding period in 1976.

Granted that the working of the rail-ways during the five months under review as been as cheerful as is described by the Railway minister, a few basic questions rise consequent upon the decision to give he railwaymen a pre-Divali gift. First, f the working of the railways were not s good as described earlier, could the ailway minister have really been in a osition to withhold any special ayment to railwaymen in the cir-umstances created by the govern-ent's general decision on the bonus sue? The truth of the matter is that e minister has tried to buy peace by e somewhat strange procedure of dec-ring a reward on the basis of five onths' performance. Whom is Mr andavate trying to fool—himself, the ublic or the railwaymen? He could so sily have said straight that he was erely doing whatever he had to.

Second, there are possibilities that shortages of power, deteriorating industrial relations and recession in a number of industries are likely to affect traffic offerings adversely because of the subdued growth in industry in the remaining months of the current financial year; industrial output statistics have not in fact been encouraging since February. May be the working results at the end of the year do not fully bear out the promise of the first five months as there is also the risk of inflationary increases in costs. In that case, would the minister's major premise that he is now rewarding railway employees because revenues have made good showing in the first few months of the year hold?

Third, a mere increase in traffic handled is no sure indicator of railway efficiency. The Railway Board, in its statistical wing, regularly analyses different operations of the railways through such measures as turnround of wagons and the intensity of use of track and engine. It would have been worthwhile had Mr Dandavate cited those indicators of productivity which showed that railwaymen had voluntarily agreed to carry increased work-load. In fact, some sections of railway employees have already been demanding a reduction in the work-load.

Lastly, railwaymen have seen that the Janata government in general or the Railway ministry in particular is on a weak wicket and that neither can really resist wage demands from powerful sections of organised labour, particularly in the public sector. This is dangerous knowledge, but a logical consequence of the pace of recent events. The Railway minister will, therefore, have to come clean; he will have to admit that the payment he proposes to make will be made because not only the government is not prepared for a confrontation, but also because disputes or disturbances on the railways would, on balance, cause social and economic distress to the community which would be a much higher price to pay than the "reward" he has now declared. Whether such an attitude on the part of the government could be respected or not, the minister may at least expect to be credited with the quality of candour.

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It is heartening to note that the government has veered round to the fact that in such infrastructure fields as power, the addition to installed capacity ought to be planned a little more liberally. An indication of this was available last week at a meeting of the minister of Energy, Mr P. Ramachandran, with pressmen.

Mr Ramachandran observed that the future planning for power should be done allowing adequately for such factors as transmission and distribution losses, spinning reserves, poor availability of new sets and their high rates of forced outrages if the demand had to be met fully and economic growth was not to be stultified. The Planning Commission has already been directed to draw up a perspective plan for power development on the above basis.

The minister for Energy estimated that an additional capacity of 21,000 MW would have to be commissioned during the sixth Plan period. Towards this end, advance action had been taken already to sanction 7,041 MW new capacity. The projects currently under implementation, which would be yielding benefit in the sixth Plan, would have a capacity of 5,600 MW. Additional capacity yet to be sanctioned, thus, amounted to 8,359 MW. To meet this requirement, new projects had been identified and were under various stages of techno-economic and investment clearance.

new approach

The above welcome change in the approach to power planning is not the only deviation from the practices of the previous government which by and large aimed at planning for marginal deficits rather than for marginal surpluses." Another major development that has taken place is the clearance of the Tata's 500 MW capacity unit to be set up in Maharashtra with assistance from the World Bank. The main reason for the approval of this scheme is stated to be the meeting of the international tendering requirements for World Bank-aided projects. But it does open up the possibilities of going in for giant thermal stations sooner than was envisaged by the previous government. Although no rethinking is being done in regard to the Singrauli giant project for which the implementation programme has already been drawn up, all the future proposals for such schemes are proposed to be considered on merit.

Mr Ramachandran pointed out that currently central presence in the power sector was minimal. Therefore, there had to be a significant addition to the capacity in the central sector.

accelerated expansion

Several steps, the minister disclosed, were contemplated to accelerate the expansion of the power generation capacity in the country. These included: (i) adequate funding for power projects both in terms of rupee resources and foreign exchange; (ii) ensuring that the funds allocated to the state governments for power development actually reached the power projects; (iii) improving the organisational capability of state electricity boards to raise the construction and operational efficiency; (iv) increasing significantly the role of the central government in setting up central generation capacities; (v) simultaneous efforts on the part of manufacturers to design trouble-free plants and supplying these plants on time; (vi) quick clearance of the identified projects and streamlining of the procedure for the same; (vi funding the state electricity boards ad quately right now for taking up advan action for the sixth Plan schemes; (vii paying special attention to ensure tha transmission development kept pace wit generation increases; and (ix) to the ex tent possible, setting up units of highe rating—if necessary, resorting to imports.

The resort to import of power genera tion equipment, incidentally, is anothe major departure from the previous gover ment's policy, which despite some tal about it during the emergency, primaril depended upon indigenous sources of sup ply for the expansion of the power gene ration capacity. Imports of equipmen for power generation, of course, may no be expected to be large as the Bhara Heavy Electricals has sizeable capacit which is not being fully utilised. Even i the case of the Tata's 500 MW project only boilers are envisaged to be imported The turbines are likely to be supplied b the BHEL. The quantum of imports fo the other projects would depend on th phasing of the new projects.

considerable scope

Mr Ramachandran agreed that not withstanding the plant load factor durin the first three months of the current finan cial year being 55.9 per cent, there wa considerable scope for improving the per formance of the existing power plants. H revealed that action in this regard ha already been initiated. A detailed plant by-plant review of the performance o both thermal and hydel projects had bee started by the Energy ministry in consul tation with the state electricity boards an the manufacturers and suppliers of equip ment. Such a review had already bee completed in regard to the Patratu Bhatinda and the DVC plants. The result had been communicated to the stat governments at the level of chief ministe for the initiation of remedial action.

A team of power engineers, M Ramachandran revealed, would be visitin West Germany shortly where an associa tion of power plant owners—VGB—ha agreed to share its experience and know how on the operation and maintenanc of thermal plants. This organisatio would also send its experts to assist i

procedures at our plants.

The minister reiterated that coal should be the principal source of energy for the country. Its exploration, exploitation and utilisation, therefore, had to be fostered. The current Plan's coal production target, he however disclosed, had been scaled down from 124 million tonnes to 114 million tonnes owing to the slow growth in demand. This year the total demand was expected to be just around 105.5 million tonnes.

The recent difficulties in regard to the supplies of some quantities of coal, especially steam coal, Mr Ramachandran observed, would be over soon as production was picking up after a temporary setback owing to the unduly heavy rains in the coalfields and frequent interruptions in the availability of power. Otherwise, the coal stocks at pitheads, he said, were quite comfortable despite their having gone down to 11.3 million tonnes at the end of July from 14.6 million tonnes on April 1. The stocks had to be lowered for their accumulation last year had necessitated regulation of production.

* *

The prime minister, Mr Morarji Desai, disclosed at his periodical press conference here last week that the government was having a fresh look at the price support scheme for agricultural products. The new exercise, he added, was being done to make price support operations more useful. Conceding that it was not possible to change the policy suddenly as it would create complications, the prime minister observed that price support operations should be resorted to only when prices fell sharply.

In reply to a question on the recent upward in prices, the prime minister pointed out that several steps had already been taken by the government to contain the prices spiral. These were expected to yield results in four to five months. The enormous increase in the money supply with the public under the previous regime still continued to have its effect on the economy. Although the growth rate in money supply had been contained since April this year, its full impact on prices had yet to be felt.

Mr Desai denied that the role of the Planning Commission was being curtailed. The government, he asserted, attached the greatest importance to planning. It wanted to ensure that the functioning of the Commission became more effective than before. Consultations were being held with the Commission in this connection.

Another important observation made by the prime minister in reply to a question regarding the denial by the government of imports of Coca-Cola concentrate was that the government was not bothered about any retaliatory measures from any quarter. It would act according to its judgement in the best interests of the country.

The prime minister reiterated that his government would not sign the nuclear non-proliferation treaty whatever the consequences unless the nuclear powers accepted the basis of equality regarding possession of atomic weapons. Any pressure in this regard, he added, would be resisted and the country's interest would be fully safeguarded.

* *

The parleys between the ministry of Petroleum, Chemicals and Fertilisers and the Burmah Oil Company (BOC) on the taking over by the former the 50 per cent equity which the latter has in Oil India Ltd are likely to be completed by early next month when an agreement is expected to be signed. A bill for this take-over is envisaged to be introduced in parliament during the winter session. If the agreement is signed early next month, it will have retrospective effect from January 1, 1977. In case the negotiations get protracted beyond December, which of course is very unlikely, the agreement may come into force with effect from January 1, 1978.

The only problem which remains to be sorted out concerns the compensation that will have to be paid to the BOC. The decks have been cleared for arriving at a final settlement. In a spirit of goodwill, the BOC has already granted a major concession in the form of reducing the quantum of statutory dividend it is entitled to under the charter of Oil India from 13 per cent net of taxes to 11 per cent.

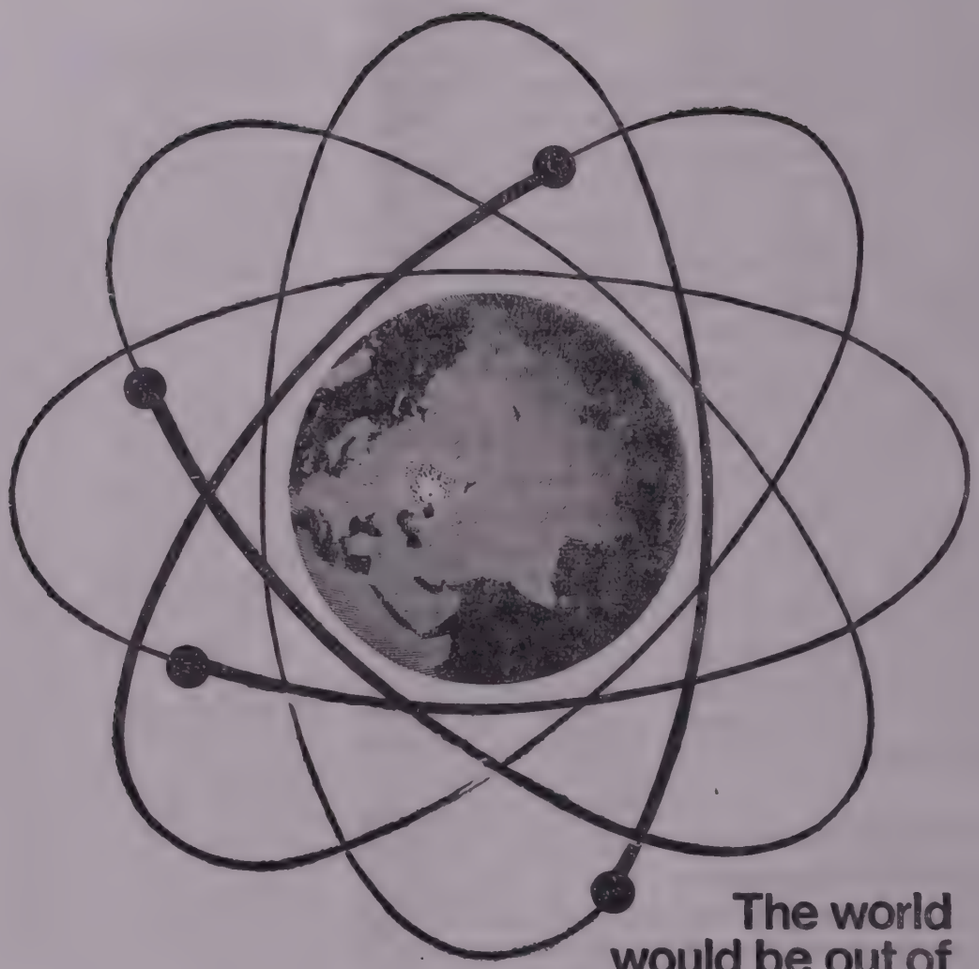
The BOC also has sorted out another major hurdle in the negotiations which concerned some payments to be made by the Assam Oil Company (AOC) to the government for certain cash discounts on supplies of crude oil from Oil India to the AOC. A sum of seven crore of rupees is said to have been paid by the AOC directly to the government on this score.

The major difference of opinion that still remains to be cleared up is that whereas the BOC is expecting about Rs 40 crores as compensation in lieu of its equity of Rs 14 crores in Oil India, the share in the statutory reserves already built by the undertaking, the dividend for some future years and the royalty which should accrue to it on the reserves which still remain to be exploited, the government's offer is understood to be just about half this amount. Indications are that the spirit of understanding shown by the BOC, under the able stewardship of Mr J.C. Finlay, of the aspirations of this country will help in resolving the issue amicably.

net worth

The company at present has a subscribed equity capital of Rs 28 crores. Its net worth till recently was estimated to be over Rs 50 crores, which has been augmented significantly as a result of the recent expansion of its pipeline from a carrying capacity of three million tonnes of crude oil per annum to over five million tonnes at a cost of Rs 40 crores. The company has already exploited the crude reserves of its concessions in upper Assam to the extent of 40 million tonnes. Reserves of a similar order still remain to be exploited. They alone are expected to yield 3.1 million tonnes of crude oil per annum up to 1983 and at a progressively declining rate thereafter up to 1990 when the scope for economical recovery of the reserves, if not augmented through fresh exploration, would be exhausted. The above reserves do not include the oil discovery in the Kharsang area where development work has yet to be taken up.

The take-over of the equity of the BOC in Oil India by the government should facilitate the grant of another exploration concession to Oil India in the Mahanadi basin and delta. The BOC has agreed to enter into a technical services agreement with Oil India on the model of its pact with the Bangladesh government. Under this arrangement, Oil India would be able to draw upon the technical expertise of the BOC in regard to deep drilling as well as offshore exploration on a fee basis.



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Steel on the march : from Rourkela to Bokaro

R. C. Ummat

Mr Ummat, senior assistant editor, recently visited Bokaro, Durgapur and Rourkela to learn about and report on the present state of the steel industry in the public sector and its plans for further development. Writing on the Bokaro steel works in this issue, he suggests that the stage has been reached when we ourselves can overwhelmingly plan and execute new steel projects with only marginal technical assistance from foreign sources, as is the case with developed countries.

THE BRITISH army colonel who, when told of the Tatas' plans to set up a steel plant in India early during the present century, remarked that he would eat every ounce of steel that would be manufactured at Jamshedpur must be turning in his grave. Not only have the Tatas successfully pioneered the establishment of the steel industry in our country but Indian steel technology and engineering have now become self-reliant to a high degree so that consultancy services are required from abroad only for the latest highly sophisticated rolling sections. This is amply evident from the recent decision of the government that the expansion of Bokaro (the first stage of which producing 1.7 million tonnes ingot steel and 0.88 million tonnes pig iron has been assisted by the Soviet Union) to four million tonnes ingot capacity should be undertaken by ourselves. The Indian steel industry, indeed, has come a long way, not only from Jamshedpur, but also from Rourkela.

first stage completed

With the commissioning of the four-hand 2,000 mm cold rolling mill recently, the first stage of Bokaro has been practically completed. Only three units remain to be commissioned. These include the third blast furnace (like the two already put up of 2,000 M^3 useful volume and 2,640 tonnes basic iron-making capacity per day), the third 11,550 tonnes daily production capacity sinter band and the fourth 100 tonnes daily output capacity LD convertor.

All the other units of this stage—four coke-oven batteries of 69 ovens each, coal handling and by-product recovery units, one sinter band, two blast furnaces, three LD converters, the lime and dolomite calcining plant, the slabbing mill (600/800 tonnes per hour capacity, depending upon the size of ingots and the rolling cycle), the 2,000 mm fully continuous seven-stand hot strip mill and the four-stand 2,000 mm cold rolling mill—have been brought on stream. The three units which remain to be commissioned are expected to be put up by the end of this year.

Along with the commissioning of the first stage, a good deal of work has been done to expand the steelworks to 2.5 million tonnes ingot steel capacity intermediate stage and four million tonnes ingots capacity second stage. The intermediate stage is expected to be completed by the end of the next financial year with the addition of the fifth coke-oven battery, the fifth 100 tonnes a day production capacity converter and two soaking pit batteries. With the commissioning of this stage, the pig iron meant for sale after the first stage would be utilised for making steel.

POINT OF VIEW

The four million tonnes ingot steel capacity is to be achieved by the middle of 1979 in so far as steel melting facilities are concerned and by December, 1982, in respect of the cold rolling complex. It will involve the addition of two coke-oven batteries, two blast furnaces, one sinter band, two LD convertors (each of 300 tonnes a day capacity), 10 soaking pit batteries, one additional stand in the hot strip mill and some other ancillary equipment (a reheating furnace, a coiler, etc.), besides the setting up of a second five-stand 1,400 mm cold rolling mill, a 100,000 tonnes galvanised sheets galvanising line and a 168,000 tonnes tinplate electrolytic tinning line. The project will then be able to turn out galvanised sheets, tinplate, hot rolled coils, plates and sheets and cold rolled coils to a minimum thickness of 0.15 mm. Under the first stage, cold rolling at Bokaro is being done to a minimum of 0.4/2 mm thickness. A captive power plant of 120 MW capacity has already been set up at Bokaro.

escalating costs

The first stage is expected to cost Rs 981 crores, including Rs 74 crores on offsite facilities representing township, external water supply and mines and quarries. The expansion to four million tonnes, according to the present estimate, is likely to cost Rs 948 crores, including Rs 50 crores on offsite facilities. This estimate, however, may go up, notwithstanding the assertion of the plant management, in case the fears about the occurrence of a year's delay in the completion of the steel melting facilities to four million tonnes come out to be true and the escalation that may occur in the cost of setting up the additional cold rolling facilities and the galvanising and tinning lines. Delays in the supply of equipment by the indigenous manufacturers has been responsible for some facilities of the first stage yet remaining to be put up. Such delays in the future cannot be ruled out.

Of the first stage estimated expenditure of Rs 981 crores, a sum of Rs 924 crores had been spent by March 31, 1977. The expenditure incurred for the expansion of the project till then had been of the order

of Rs 408 crores. An amount of Rs 138 crores is envisaged to be spent this year, nearly 78 per cent of it on the expansion programme.

To optimise the utilisation of the production facilities in the main units of Bokaro when it is expanded to four million tonnes, it is felt that the putting up of one more coke-oven battery and a lime kiln and providing of some more soaking pits and storage facilities for raw materials will enable the capacity to be raised further to 4.75 million tonnes at an additional cost of only Rs 141 crores. Studies have already been initiated in this regard. In fact, it has been suggested to the Bokaro management by the ministry of Steel that the former should explore possibilities of expanding the capacity of the project to 5/5.5 million tonnes through effecting improvements in working. The dialogue in this regard is stated to be continuing.

import component

An idea of how far we have progressed in producing equipment for steel-making can be had from the fact that whereas 87 per cent of the equipment for the original one million tonnes ingot steel capacity of Bhilai steelworks—which was also set up with collaboration for the Soviet Union—had to be imported, the import component of the first stage of Bokaro has been only around 33 per cent. The import component of the expansion programme of Bokaro to four million tonnes would be not more than 15 per cent, as against 77 per cent in the case of Bhilai's expansion from one million tonnes to 2.5 million tonnes. This is despite the fact that Bokaro is a much more modern, sophisticated and automatic project than Bhilai.

The indigenous content of the equipment that went into the establishment of the first stage of Bokaro was higher compared to the Bhilai steelworks owing to the fact that Dastur and Company contributed significantly to the designing of certain portions of this plant. The entire designing for the four million tonnes stage is being done by the Metallurgical and Engineering Consultants (India) Ltd (MECON)—a subsidiary of the Steel Authority of India—and Dastur and Company.

The decision to go in for the setting up of the second cold rolling mill complex on our own, instead of depending upon the Soviet Union, implies that this complex may not only be designed but also manufactured and commissioned by Indian firms, namely the MECON, the Engineering Projects India Ltd (EPI), the Bharat Heavy Electricals Ltd (BHEL), the Heavy Engineering Corporation (HEC) and the Hindustan Steelworks Construction Ltd., (HSCL)—all in the public sector. The MECON already has consultancy arrangements with Wean United of the USA for the rolling mills. The EPI has such an arrangement with this US concern for the designing of equipment for the processing lines of the cold rolling complex, which includes electrolytic tinning, galvanising, annealing and pickling facilities. Negotiations are going on for securing by the MECON technical know how for the new cold rolling mill from another leading US firm also, namely ARMCO. Electrical controls and drives are to be supplied by the BHEL which has consultancy arrangements with Siemen of West Germany.

This arrangement has been propose because Russian technology for cold rol ling is not as advanced as that in use i the USA or Japan. The Russians them selves are depending upon western techno logy for the rolling of finer gauge sheets coils, tinplate and galvanised sheets The undertaking of the expansion o Bokaro on our own should go a lon way in establishing our credentials abroa as an alternative source of supply of con sultancy and technological experts to th developing world.

Another heartening fact about Bokar is that the gestation period for bringin the various units to full production ha been shortened a great deal. This tren commenced with the blast furnaces an has been continued through the converto shop to the rolling mills sections. A evidence of the rapid build-up of produc tion at Bokaro during the last two year is available from the table given below.

Currently, the effective steel-makin capacity of Bokaro is around 1.2 millio tonnes ingots and the utilisation of thi

Production Build-up at Bokaro Steelworks

(Tonnes

Products	Actual 1975-76	Actual 1976-77	Growt in %
Gross Coke (Dry)	1,074,839	1,534,796	142.
Ammonium Sulphate	13,009	19,730.4	150.
Crude Tar	38,595	53,741.1	139.
Sinter	1,428,165	2,075,957	145.
Hot Metal	973,059	1,737,998.5	178.
Cold Pig	590,139	706,586 2	119.
Ingot Steel	341,611	956,198.7	279.
Slabs from BSL ingots	194,745	794,412.1	
Slabs from Rourkela ingots	24,423	60,547.6	
Total	219,168	854,959.7	390.
Hot Rolled Coils	85,860	668,603.6	778.
Cold Rolled Coils	—	364*	—
Saleable Steel			
Slabs — Bokaro	88,701	75,428.7	
— Rourkela	24,423	60,547.6	
HR Coils/Slit Coils	20,750	352,968.6	
Thick Plates	1,978	11,364.4	
HR Sheets/Plates	38,802	295,887.6	
Total Saleable Steel	174,654	796,196.9	455

* Unfinished

apacity of the order of one million onnes. The coke ovens and the blast urnaces in operation are yielding output o a level slightly over their rated capaci-ies. All care is being taken in regard o efficient maintenance through a pre-ventive maintenance programme. Flog-ging of equipment, therefore, is being obviated.

To meet adequately the maintenance requirements from within the plant work-shops, it is proposed to manufacture next year 82/85 per cent of the required spares n these workshops. Ten to eleven per ent requirements are envisaged to be met rom the other sources in the country. The imports, thus, will be reduced by the nd of next year to a bare 4/5 per cent f the requirements. Last year the pares and components requirements ere of the order of Rs 32 crores, includ-ng Rs 5/6 crores worth up of insurance tores. The imports aggregated to Rs 7 rores. With the building up of insurance tores, the future requirements of spares nd components are expected to decline or some time.

some difficulties

In its operations, Bokaro, however, ay run into some difficulties if the resent trend of coal and power supplies ersists for any length of time. The hortage of coal was felt by the project, espite it being located in the coal-mining rea, about 18 months ago also. But the roblem then was resolved by delaying he commissioning of a coke-oven battery nd building up of stocks. Currently, the oal requirements of Bokaro are stated to e around 250,000 tonnes per month gainst which the supplies are just about 0,000/220,000 tonnes. This has led to epletion of stocks to about 10 days' onsumption from about 21 days' early his year, as against the normal stocking f coal for at least 15 days' requirements. urther cut in supplies has been indicated y the Coal Authority of India due to the hortage of power experienced by it. But bour trouble in the mining areas too is nderstood to be responsible for this to o small extent.

The power requirements of Bokaro from e DVC sources are put at 100/110 Ws, against which the supplies are no ore than 60 MWs. The 120 MWs captive power station of the project too is working to 60/80 MWs capacity depending upon steam availability. Apart from the inadequacy of power, the project is suffering from frequency fluctuations, the frequency going down at times to 47/48 cycles as against the optimum level of 50 cycles. The supplies from the captive power plant, of course, are a sufficient insurance for protecting the critical sections of the project and maintaining a certain level of operations on a continuous basis.

R & D effort

The project authorities are fully conscious of the research and development efforts they have to make to optimise production from the installed facilities. It is having annual as well as long-term research and development programmes. The former programme for the current year has three components: (i) study of measures to improve the life of the lining of convertors; (ii) making of special grades of steel; (iii) study of coiling temperature in the hot strip mill. So far, under the annual research and development effort, Bokaro has developed electrode quality steels, Hy-ten steels, aluminium killed deep drawing steel, high tensile weldable quality steels, boiler quality steels and ship-building steels. The long-term effort is aimed at studying the system of waste heat boilers in the steel melting shop.

On the sales side, Bokaro is not expected to face any problem. Not only is there a growing demand for its flat products but also because of their high quality, they are finding good response in the world markets. Bokaro's exports last year netted foreign exchange worth Rs 58.28 crores. They are expected to go up to Rs 77 crores this year. Cold rolled coils of Bokaro are finding a market even in the USA. The sale value of the production of Bokaro had reached the level of Rs 208 crores last year, the value in the previous four years of operation being Rs 100 crores, Rs 66 crores, Rs 38 crores and Rs 13 crores, respectively, production of pig iron started in 1972-73 after four years of the start of effective action on setting up the plant. This year the aggregate output is envisaged to be raised to Rs 266 crores. Assets valued at Rs 778 crores, including offsite facilities, out of the first stage of the project have already been put into operation.

The major anxiety of the management, of course, is the overall profitability of the undertaking, primarily owing to its high capital cost. The capital cost per tonne of ingot steel at 1974-75 prices, excluding the cost of offsite facilities, works out to Rs 5,335. It is expected to go down to Rs 4,513 at the completion of the four million tonnes stage, the cost for the expansion stage from 1.7 million tonnes to four million tonnes being Rs 3,904. On attaining 90 per cent utilisation of the four million tonnes capacity, the total turnover of Bokaro at the current prices of its products is estimated to be Rs 800 crores per annum. The manufacturing expenses are estimated to be around Rs 320 crores. Excise duties, freight and other expenses will account for another Rs 210 crores, leaving a cash surplus of Rs 270 crores for meeting depreciation charges, interest on loans, etc. The net profit expected to accrue will be of the order of about Rs 47 crores on an equity base of Rs 982 crores, equity-debt ratio being 1:1. The average return on capital, therefore, would not be economical.

increase in productivity

This calculation, of course, does not take into consideration the likely increase in productivity over the project report estimates through the research and development efforts which are expected to raise the capacity of the plant to at least 4.75 million tonnes at an additional cost of only Rs 141 crores. But the impact of this cannot be spectacular.

On the face of it, the Bokaro management's anxiety is not unwarranted for, despite its best efforts, it may not be able to yield an adequate return on investment unless the prices of its products go up. If the final cost of the project increases from the current estimate, as indicated earlier, which is not unlikely, the profitability should get eroded further. But can it be assumed that product prices will remain pegged at the current levels for all times to come? Obviously not. But allowance at the same time has to be made for the increase in the cost of inputs.

Garment exports could be major growth industry

R. B. L. Garg

Our garment exports are facing a crisis because of the lack of standardisation and adaptability of our industry to changing fashions. The author, who is a lecturer in Post-graduate Department of Business Administration, MSJ Government College, Bharatpur, feels that if proper steps are taken, it should not be difficult for the industry to achieve the Rs 100-crore export target by 1980.

DURING THE short period of its development, our garments industry has made a mark in the overseas market. There is no doubt that it can become a major foreign exchange earner closely competing for weightage with the engineering and sugar industries, if adequate attention is given to the development of large potential available in the country in this sector. This country enjoys certain advantages over her rivals in this trade, viz, less expensive labour and availability of fabrics in abundance which, if properly tapped, could make the garments trade a paying proposition.

Ready-made garments manufactured in this country had their first debut in the fashion world barely a decade ago. During this period the industry, mostly in the small-scale sector, had taken strides and exports rose from Rs 16.02 crores in 1971 to Rs 185 crores in 1975 as can be seen from the figures given below:

Year	Exports (Rs crores)
1971-72	16 02
1972-73	29.33
1973-74	53.78
1974-75	99.18
1975-76	185 00
1976-77	200.00 E

E: Estimated.

Source: Textile Export Promotion Council.

Despite a steep rise in the export of garments, our share in the world trade remains at two per cent. Comparison of India's exports (Rs 200 crores) with such developing countries as Hong Kong (Rs 1200 crores), Taiwan (Rs 230 crores) and Korea (Rs 334 crores) are significantly important. It is because we differ from them in their socio-economic set up, production patterns and priorities. While life blood of their economies is the export of labour-intensive products like garments, India has treated garment exports as more of an out-let for the surplus production of cotton textiles. Our exports are mainly to the EEC countries, the United States, the USSR, Japan, Sweden, Denmark, West Germany and Canada. We export shirts, blouses, jeans, jackets, kurtas and other high fashion garments to nearly 50 countries.

increasing trade

The world trade in garments is on the increase. In 1972 imports by major countries totalled $6.2 billion which rose to $10.4 billion worth of garments in 1974. In 1973 EEC countries imported more than 55 per cent of their total imports. West Germany alone was responsible for 24 per cent which is a very significant figure and which makes it the biggest importer of ready-made garments. The share of the US was 12 per cent. The first rank importers of Indian garments are the United States, the EEC countries,[1] the USSR and Canada.

The export trade of Indian garments, though it has a bright future ahead, received two major setbacks recently:

Despite the abolition of quota system for export of Indian garments (handloom and ready-made garments) the orders from the American importers have come to a virtual halt due to uncompetitive prices of Indian garments and their insistence to supply at much cheaper prices. With the decision of the Textile Export Promotion Council to go in for maximum price stabilisation on the limited quota available from the US, the exports of major items like dresses, men's wear and infants' shorts and skirts have been hit hard. Another flaw in the price structure laid down by TEXPROCIL is clubbing of certain items.

glut in market

For example, infants' shorts are 'clubbed' with women's trousers and slacks. That is to say an American will have to pay the same price for an infant's shorts and a woman's trousers and slacks. There is also glut of Indian garments in the US market; stocks are reported to have piled up with major importers. But the reason of this 'debacle' (suspension of imports by the US from India) is the sub-standard quality of Indian export of garments which has earned a bad name.[3]

The unilateral decision of the EEC to put restrictions on the import of handlooms and ready-made garments[4] may not only wipe out the big exporters but also poor handloom weavers who have contracts worth Rs 30 crores in hand. The decision, howsoever illegal, is likely to throw millions of our people out of employment as the garments industry slips deeper into the throes of depression. The plea that unprecedented increase of garment exports from the developing countries has created unemployment in textile industry in their respective countries, does not stand the test of figures. According to the data issued by the GATT, the developing countries' share in the textile and garment exports improved from 35 per cent in 1973 to 39 per cent in 1975. Thus the textile exports from the developing nations have not been as startling as made out by these nations. The decision of EEC countries goes against the spirit of helping the

eveloping countries through the GSP ystem.

However, there are certain real 'factors' nhibiting our export trade of garments nd we cannot blame the US importers or he decision of the EEC, howsoever illegal t may be. The factors contributing to the resent crisis are (i) mushroom growth of maller units, (ii) indifference to quality ontrol, (iii) sub-standard supplies, (iv) our nability to meet the requirements of the ver-changing trends in fashion, (v) lack of ggressive salesmanship, and (vi) delaying ttitude of our government. While a good umber of manufacturers of garments takes crupulous care to produce quality gar-nents, there is also a number of inexperi-nced entrepreneurs 'jumping into the ray' who are ill-equipped to maintain the equisite standard. A piquant situation as arisen in the export markets of gar-nents due to the our exporters' practice f sticking to the export of the same type f garments made out of the same type of abrics. This has created some kind of esistance on the part of importers who ave, of late, become adverse to dumping he markets with the same type of goods.

vigorous efforts needed

The present state of affairs calls for igorous efforts on the part of exporters, abricaters and the government particular-y when such markets as those of the Jnited States and the EEC are virtually losed on us mainly due to our mistake. n Canada also there is minimum price estriction and also a quota stipulation ased on the 1975 imports. Austra-a, has a global quota system and the ulk of its requirements is met by the mports from other countries. India's hare is unfortunately very low in Austra-an imports.

It is, therefore, pertinent that our expor-ers adopt diversification in garment manu-acture besides taking some serious mea-ures to save the export trade from going own. The diversification of products may e in the form of new fibre combination, lended fabrics or lurex garments. There s a good deal of demand for the garments nade of lurex in the United States.

Quality control should never be a asualty when we deal with the most sophisticated markets in the world. Our garment and fabric manufac-turers have been shipping sub-standard merchandise for exports for years and have earned a bad name on this account. Both the United States and the EEC importers are averse to the Indian quality of garments, and it is mainly because of this that our trade with them is virtually coming to a halt. The authorities have to take serious note of this and see that only first rate merchandise is shipped to the foreign markets.

Exploration of other markets is neces-sary. Japan offers a sizable potential for ready-made garments. The only area which offers potential as present is of casual wear articles which do not require much technique in their manufacture. Indian industry needs to have a product adoptation policy both in regard to fabrics and garments in term of designs, printing of flowers and colours combination to suit Japanese tastes. The weaving of our fabrics should be more even as uneven weaving, though not visible in grey fabrics, becomes apparent when dyed. Indian garments need to be stitched according to Japanese size in terms of their stature, broad shoulder and length of arms. Australia is another country which can offer a market for our fabrics and garments. But it needs extra effort with regard to meeting their requirements (specifications, design, quality, etc).

To develop the handloom sector the government has already set up the Hand-loom Development Council. It is hearten-ing that the government has at last deci-ded to set up the Export Promotion Coun-cil for Readymade Garments. The Rajas-than Small-Scale Industries Corporation has also set up a factory at Jaipur and has chalked out a scheme for the production of handloom garments having typical Rajasthani look which is very much in demand in the US and most of the Euro-pean countries. These efforts will go a long way in stimulating our export trade. Steps need to be taken to undo the crisis created by the protection policy of the EEC importers.

Our garment industry has fixed an ex-port target of Rs 1000 crores for 1980 which should not be difficult to achieve, in spite of constraints. The industry is full of young and earnest promotors. It is also peopled by master craftsmen with vast designing capabilities. Nevertheless, in order to survive in the foreign markets it is not only necessary to know our strength but also to rightly assess the strength of our competitors — the quality that they bring and the price at which they sell—and identify market opportunities.

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Manager

Eurodollar market : enter India : exit Beetle

E. B. Brook

By successfully borrowing for seven years at one per cent above the prevailing London Eurodollar inter-bank rate, the government of India has not only tested to its own satisfaction temperature of the waters of international finance, but has also helped to bring to the surface the anxieties of Eurobankers about lengthening maturities and narrowing spreads. Meanwhile, the pound is flush with 'hot' money.

BY NEGOTIATING a $ 50 million seven-year loan at a cost of one per cent over the prevailing London Eurodollar inter-bank rate India has sent shock waves through the international financial community. Even a few months ago so low a rate of interest could have been obtained only by the relatively few prime credit-rated countries, major industrial centres or the oil-rich.

The shock to the US and European bankers is followed by their fear that India's breakthrough will encourage other borrowers from the industrially developing areas to seek equally low spreads. There are already unconfirmed reports that another Asian Power is looking for a five-year Eurodollar loan on a spread of exactly seven-eighths of a point. Nigeria, the oil-rich African state, is expected to make its debut in the syndicated Eurocurrency loan market within the next few weeks. The Nigerian authorities are reported to be interested in borrowing as much as $ 700 million and already competition among international banks to win a mandate to manage the loan is strong. As a result, the interest rate margin will be low, almost certainly under one point.

But India's low-margin loan has disturbed the rate structure for other borrowers from newly industrialising countries. Mexico pays a margin of 1½ points, Brazil pays 1⅞ points and a move for a reduction in the rates they pay may soon be on banks' agendas with strong backing from several sympathetic European financial centres, including West Germany.

Bankers are also suggesting that major industrialised and oil-producing countries (of which, of course, Mexico is moving towards becoming one with its Gulf of Mexico oil finds) will soon demand sharply reduced spreads to maintain the traditional interest-rate differential between them and less financially well-off countries. Using the Indian loan as a measure, some Eurobankers claim that, to preserve the yield gap, countries such as France or Venezuela should now be able to raise a Euroloan carryiag a spread of as low as half a point over the interbank rate.

WINDOW ON THE WORLD

Most bankers agree that a return to such low margins will make it almost impossible for lenders to earn a profit on their Euroloans. They recall the time in 1973 when half-point margins were granted and the fact that the banks made no profit by lending. But, because of stagnant domestic loan demand today and general high liquidity most banks are being compelled to expand their Eurocurrency lending. The resultant fierce competition to win business has produced the inevitable decline in interest rate margins from the beginning of this year. Loan maturities are also lengthening and borrowers who, until recently, would have accepted a final term of five years are now demanding seven years' duration. Those that could get seven years are now seeking ten years accommodation to the distress of the bankers who maintain that long maturities are more damaging than reduction in spreads.

enter Passat, exit Beetle

A useful and familiar figure, the Volkswagen 'Beetle', is about to disappear in Europe. The ugly but tough little car, the 'people's car' of Hitler's dream and of post-war Germany, has spread its capability over most of the world but the last Beetle-producing plant in West Germany is turning over to full-time production of the sleek Volkswagen Passat (Trade Wind) and the expensive Audi-80. Nearly half a million Beetles have been sold in Britain alone; the figure for Europe is nearly three million. Beetles will still be coming off the production lines in Brazil, Mexico, South Africa and Nigeria. So begins to come to an end a remarkable performance that has already lasted a quarter of a century. The car has been an examplar in reliability, many of them being driven up to 150,000 miles with a minimum of maintenance before giving up. It was a major example of a car built to last and it is not impossible that somewhere a few models may still be putting the miles or kilometres behind them at the turn of the century.

Speaking of things German, the success story of putting inflation behind them has not lasted long in West Germany. July figures revealed the smallest monthly trade surplus this year and exports for the first time fell short of previous-year levels.

The cause may be seasonal and certainly the lower surplus does not mark any major change in West German trade. One sign of personal prosperity in W. Germany in this year's surge in foreign tourism by Germans. Hitherto, the German holiday-maker who went abroad rarely moved farther afield than neighbouring Austria, Switzerland or France or to the cheap currency areas of the Balkans. Today, supported by their strong mark, they are to be found all over west Europe and many are travelling by air to the Canaries and farther on to South America.

The holiday months' conundrum is how long can the £ stand up to the present high rate of $ 1.74. In the last few days the dollar has been strengthening marginally but the rate of sterling is more accurately measured against the collection of other currencies and, with this comparison, the £ is under pressure to move even higher. The key to the problem is the massive inflow of foreign money to London in recent weeks. Much of this is 'hot' money, liable to be withdrawn almost at a moment's notice. But the British authorities now have massive reserves (likely to rise to about £ 8,500 million by September) to fight off speculative attacks—an armoury the British did not have last year. The possibility of an upward one per cent revaluation of the £ —leading, roughly, to a one per cent fall in the rate of inflation—is being discussed. The British government, rather than let the £ rise may go for the alternative of curbing inflows of foreign funds as they did in 1971 by non-payment of interest on additional sterling deposits held by foreigners or by restrictions on their activities in some markets. Restrictions on the amount of gilts they may buy may also come again.

This display of financial muscle, incidentally, contrasts oddly with the news that the pound note is to be dimensionally smaller and that, contrasted with its real value of 100p when it was introduced in 1960 the £1 note now is worth only 27p. One reason is, of course, the high rate of inflation and, scarcely less, the high rate of unemployment at over 1.6 million. British unemployment had been rising almost without interruption since late 1973 when there were less than half a million workless. The by-no-means exclusively British disease of industrial and other strikes—currently they number about four—is another weakening factor and one that shows no sign of lessening. Emigration of technicians to the oil-rich Arab states, to Common Market countries as well as to Canada and Australia resulted in the first three months of this year of a net loss of 16,300 people, the highest quarterly loss since 1975. Immigration, even from the Commonwealth, was 3000 fewer than in the first quarter of last year.

A situation is developing in fully industrialised countries, particularly in Britain and the USA, which has long been familiar in less industrialised countries, that unemployment is virtually inescapable for large numbers of people. This factor has an important bearing of the old puritan work ethic, recenltly expressed again by President Carter. If it is fair for the voluntarily idle to suffer can the same be said for the hapless victim of a poorly working economic system?

Threat to Swedish affluence

Per Magnus Wijkman

In a renewed effort to cope with the continuing "stagflation", the Swedish government has announced a freeze on prices until the end of October and invited trade unions and employers to immediate talks on ways to control inflation while maintaining full employment. It has also devalued the currency by 10 per cent with effect from August 29. The Swedish krona is now linked to a "basket" of currencies of Sweden's 15 main trading partners. The Norwegian and Danish currencies have also been devalued by five per cent each. The author who teaches Political Economy at the university of Stockholm discusses some of the "crisis symptoms" in the Swedish economy which present the background to the Swedish government's latest decisions.

AFTER 1974 the industrial market economies have been experiencing the deepest depression since the 1930s. But while 15 million people are out of work in the OECD countries, full employment apparently prevails in Sweden. The Swedish economy shows crisis symptoms of quite another kind. These years have been marked instead by record deficits in the Swedish current account, lowered industrial production, low profitability, disguised unemployment, and unutilised production capacity in industry, stagnant growth of national income, large stocks of unsold goods, and huge grants to firms to prevent them implementing the many notices of layoffs and plant shutdowns.

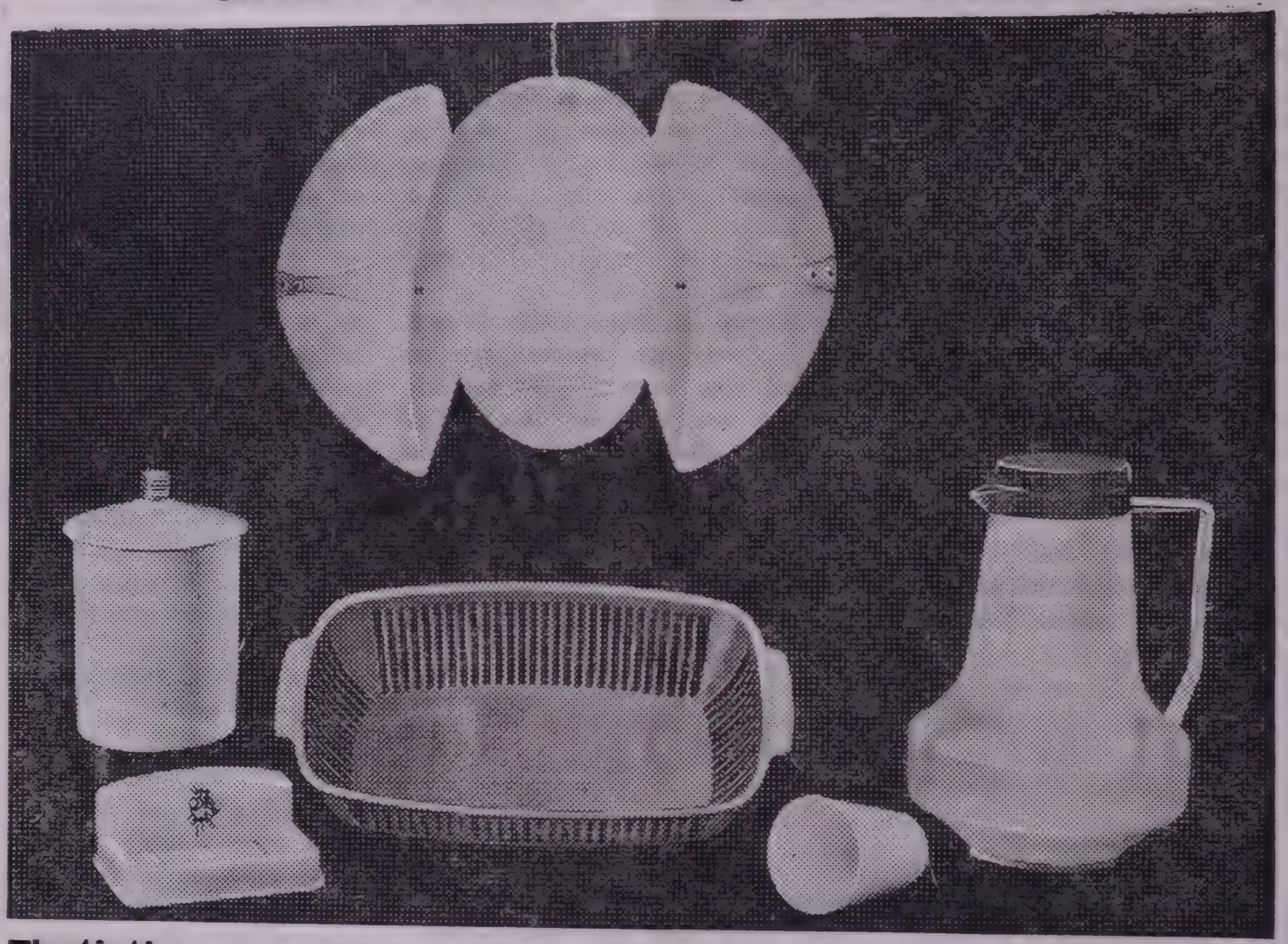
In this crisis situation Swedish living standards and employment levels have been kept up by foreign loans. Insofar as the recession in other countries has affected Sweden up to now, proprietors rather than employees have borne the brunt. However, the probability that the average household will also be adversely affected is increasing the longer it takes Sweden to benefit from the economic upswing abroad.

In the long run the Sweden cannot remain unaffected by the lower incomes of their foreign customers and the lower wage costs of their competitors. The result has been a growing deficit in Sweden's balance of payments. The deficit, which for 1977 is estimated at Skr* 12.5 billion, reflects the fact that the Swedes are demanding more goods and services than they are producing themselves. In that sense they are living beyond their means.

Nearly four per cent of the goods and services used in the country in 1977 are

*Skr (Swedish krona)—US $0.23 or £0.13 as of July, 1977

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being bought on "foreign credit". From 1974 to 1977 external borrowing is estimated to total Skr 33 billion or 10 per cent of this year's national product. This rate of borrowing cannot continue indefinitely. Sooner or later the Swedes will have to consume less or produce more. They must tighten their belts or roll up their shirtsleeves.

Since households have grown accustomed to reckoning with increased consumption and leisure, economic austerity readily leads to political disaffection and social tensions. An important question today, therefore, is how last fall's change of government has affected the political prospects for carrying out an unpopular austerity programme.

dominant problem

Probably few economists or politicians will deny that the deficit in Sweden's balance of payments is the dominant problem of the Swedish economic policy. Economists usaully distinguish between three main causes of the growing deficit in recent years: the *oil price hike* and Sweden's *business cycle* and *cost level* compared with other countries. Just which of these is the most important explanation is a matter of dispute yet bears crucially on the formulation of economic policy. We shall therefore consider each of these explanations in turn.

Higher Oil Prices: One part of the Swedish deficit for 1977 is a consequence of the oil price hike. The oil-importing countries as a group incurred a heavy payments deficit when the OPEC countries quadrupled the oil prices in October, 1973. Although the oil-producing countries did increase their imports, these could not keep pace with the suddenly rising value of their leading export commodity. Hence the industrialised nations face an unavoidable deficit over a longer transitional period. For the next five or six years every oil-importing country will have to bear a share of this aggregate deficit. A country which tries to reduce its own deficit will only be adding to other countries' deficits without reducing the combined deficit. Swedish ecomomic policy must therefore accept a certain deficit now but seek to make it possible for Sweden after 1980 to export enough to pay for imported oil and in addition to repay the debts incurred when the oil was bought on credit.

The economy can adjust to the higher oil prices in two ways. Given the size of the public sector, household expenditures for private consumption can be cut back by means of a tax hike which reduces imports and frees resources for increased exports. Alternatively, given the size of private consumption, resources can be transferred from the public sector to the foreign-competing sector. In a market economy like the Swedish one such a reallocation of resources requires that the foreign-competing industry's wage costs per unit of output make it competitive on the world market and that the return on capital stimulates the expansion of production capacity at home—instead of abroad.

If the citizens prefer public to private consumption, it will be necessary to raise taxes. But if the citizens prefer private consumption, profitability of the foreign-competing industry will have to be increased, e.g. through a devaluation. The borrowing that is unavoidable in the years immediately following the oil price hike will in the first case permit a smaller tax lift than otherwise, and in the second case will permit a more rapid expansion of the foreign-competing industry.

out of phase

The Business Cycle: Another part of the 1977 deficit may be due to the Swedish business cycle being out of phase with that in the rest of the world. After the oil price hike the big industrial countries—the United States, West Germany and Japan—have been pursuing a restrictive policy in order to break the wave of double-digit inflation from the first five years of the 1970s, and also to keep their balance of payments from deteriorating by as much as the oil price hike prescribed. This policy has led to high unemployment in these countries themselves, and has shifted part of their own "oil deficits" onto countries with more ambitious employment goals. This has made it more difficult for the Swedish government to prevent the recession abroad from leading to higher unemployment and lower incomes in Sweden. It has become more expensive to "wait out" the slump because the Swedish economy has had to bear a share of the oil deficits incurred by the big countries.

system of grants

The Swedish government has maintained employment levels by grants to firms which produced for inventory instead of responding to diminished demand with production cutbacks. When the inventories started overflowing the government introduced a system of grants (amounting to Skr 25 an hour per employee) to firms which trained their personnel internally instead of laying them off. More codetermination in the firms for employees and greater institutional barriers to workforce dismissals have also prevailed on firms, to a greater extent compared with previous production cutbacks, to keep their employees to do improvements, repairs and maintenance work. When dismissals have become necessary anyway, the unemployed have been retrained in public manpower training programmes or been hired by the expanding public sector.

This policy, started by the previous government and largely continued by its successor, has so far managed to hold domestic unemployment down to a "normal" 1.6 per cent since the oil price hike. However, it presumes that the upswing abroad will gradually deplete the excess inventories in Sweden and let manpower return from training and maintenance work to current production. Like most observers the former government expected the upswing to come earlier and to be more vigorous than actually happened. The later and weaker the upturn, the more expensive it will be for Sweden to try to skip over the recession. Given the present feeble upturn, the unemployment rate may be expected to rise to 2.5-3 per cent in second half 1977, when it seems difficult to increase further inventories and disguised unemployment in the firms even more.

One way to induce other countries to demand more Swedish products when economic recovery abroad is slow in coming is to devalue the Swedish krona. The high Swedish employment level could then be maintained at the price of lower real wages for the employees and possibly

of a continued high inflation. In that way, too, some of the "oil deficits" would be shifted back to where they belong, with the USA, West Germany and Japan.

Excessive Wage Costs: Even if one disregards the oil deficit and assumes that other countries will tomorrow achieve the same high employment level as Sweden, the main portion of the year's deficit in the balance of payments will still remain according to many observers. They consider the Swedish wage cost level to be too high compared with competing countries. Just how much of the deficit is explained by the cost level has been the subject of lively debate, especially by the labour market organisations, who determine that level. In 1975 they presumably misjudged the future rate of international inflation.

wrong premises

Not only did unions and employers both expect double-digit inflation to continue abroad, but they also agree that the contract for 1974, which was negotiated in the shock wave touched off by the oil price hike, had provided for insufficient pay increments. They therefore signed a contract for 1975 and 1976 giving increases in nominal wage costs totalling 42 per cent. But the big industrialised nations — the United States, West Germany and Japan —managed to thwart inflationary expectations by a restrictive policy and for them the 1977 rates of inflation lie between 4 and 7 per cent. Therefore the inflationary expectations which led to the Swedish two-year contract were not realised, leaving Sweden with a cost level that is about 15 per cent too high compared with the West German. This cost gap can be rectified by devaluing the krona, by faster productivity growth or by smaller increases in wage costs than abroad.

In April the new government devalued the krona by four per cent against an average of other currencies (six per cent vis-a-vis the D-mark). To close the cost gap it would probably have been necessary to devalue by at least twice as much in relation to the D-mark. This was evidently incompatible with continued currency collaboration inside the so-called Snake.

A substantial productivity increment could be realised owing to the large disguised unemployment that now exists within firms. Productivity was the same in 1976 and 1974, and this fact alone offers a potential increase of between five and 10 per cent. But this cannot be realised until business activity starts to boom and hence in 1978 at the earliest. As a result the greater part of the adjustment burden has been shifted onto the development of nominal wages and increased tensions on the Swedish labour market. The 1977 round of collective bargaining was the most dramatic negotiation during the postwar period.

Summing up, the oil price hike and the unrealised expectations of policy-makers that business activity would pick up soon and continued inflation abroad have each contributed to the present-day external imbalance in the Swedish economy. How serious this imbalance is and how it should be corrected will depend on the relative importance of the above-named factors for this year's large deficit. Opinions are naturally divided. Some observers argue that the higher oil prices and the combination of slump in Europe with full employment in Sweden explain the deficit in its entirety. A cost gap, if any, would disappear when productivity rises as the business cycle improves.

Other observers note that Swedish export products have now increased in price as much as oil and other imports, and that the business cycle, which is in full upswing abroad, has not led to improved Swedish export performance because of falling Swedish market shares. Just about the whole deficit would therefore be explained by the high Swedish cost level.

redistribution of income

The truth, as I see it, comes closer to the latter standpoint. Hence the prescription formula calls on the average Swede to consume less and calls for a redistribution of income from wages to corporate profits. That is not the sort of programme calculated to win elections for political parties in any country, Sweden least of all. Besides, it is going to be carried out in a situation where the change of government has altered the political determinants of economic policy. In earlier collective bargaining LO (the Swedish Confederation of Trade Unions) could formulate its demands knowing that the political wing of the labour movement formed the government and determined economic policy. For many years the coordination of LO's wage claims with the government's tax policy had been a central element of Swedish economic policy. A nonsocialist government changed the balance of power in Swedish society and has impaired channels of communication between government and the employees organisations on the labour market.

austere economy

The government budget for 1977-78 and the wage contract for 1977 signals a more austere economic policy. Households' disposable incomes will be reduced by a higher Value Added Tax (up from 17.6 to 20.6 per cent on June 1) and by an expected increase of local income tax rates on January 1, 1978. Production-for-inventory support terminated on July 1, and sales from stocks are liable to compete with sales of current output. This tightening-up process will aggravate unemployment unless other countries step up their demand for Swedish products at the same time. The wage contract for manufacturing industry increases labour costs by between 10 and 11 per cent. As compared to West Germany, where the contracts are expected to give about eight per cent, the net outcome will deteriorate the Swedish cost level and restore the situation existing before the April devaluation. Hence the adjustment of the Swedish cost level is postponed for one more year. The longer the Swedish cost level stays excessively high, the more rapid will be the structural changes in Swedish industry. This will intesify the strains on employees and owners of marginal firms and industries. If the government continues to subsidise the crisis-hit firms in 1978, the adjustment of industrial structure to the excessive Swedish cost level will be delayed. So for the foreseeable future the Swedish economy runs the risk of a balance-of-payments deficit if full employment is maintained. In a changing world also a welfare state must cultivate the art of adapting itself.

Courtesy; Svensk Intitutet, Stockholm

MOVING FINGER

Cast a stone for coca cola, if you will. But shed no tears. This country had no need of it and our children will be better off without it. It was an undesirable imposition in every way and my own deep objection to it is that the money spent on it could have been better spent on, say, a drink of *lassi*, fresh lime or fresh cane juice or *nira*, all of which are far more wholesome and far less expensive options. The "multi-nationals" issue has been brought in, but this is not all that relevant. However, if, "George, the giant-killer" is to claim a victim from that tribe, I am glad that the Coca Cola Corporation has been chosen for the sacrifice, since this is probably the most acceptable manner in which some of the political prejudice in this country against "multi-nationals" may be worked out of the system. The obscene greed with which the Coca Cola Corporation has been exploiting its secret formula is of course an outrage. It must be revolting to the social conscience of man surely that this essentially inconsequential recipe concocted by a long-dead Georgia GP in his spare-time tinkering with stills and syphons in his attic should be earning enormous royalties indefinitely for its commercial exploiters, while some of the greatest discoveries of life-saving medicine are public property. I am glad that it has been given to the government of India to deal a blow, however slight, to one of the greatest rackets going in the world.

What I am not happy about is the Industry ministry's apparent belief that it has a moral obligation to the country to fill the gap left by coke. The whole project "77" is so much nonsense. It is perhaps in the fitness of things that its immediate result is to fetch an easy 10,000-rupees to Mr H.V. Kamath, who is the Groucho Marx of our national political scene. It is an eloquent commentary on the relevance of the functioning of the Central Food Technological Institute to national needs that the only serious attempt it has made so far to find a place in the sun is to fake the coke. Modern Bakeries, which is yet to market a bread which could offer real competition to Britannia, has been assigned the job of pushing "77", beginning from March '78. I suppose Modern bread would become more appetising when eaten soaked in "77". Incidentally was the government or, Mr Fernandes personally, under an obligation to provide an alternative ? Is the principle, if there is one, to be generally applied? In that event, what would be the government alternative to whisky, rum or gin if and when total prohibition comes ?

When my good friend, Mr Vadilal Dagli of *Commerce*, wrote recently in his column that "President Sanjiva Reddy has earned a place in our social history by boldly discarding the imperial Rashtrapati Bhavan whose pomp was a standing shame of Mahatma Gandhi's India", I had a feeling that he was rashly exposing his all-too trusting nature to the tender mercy of a cynical world. My own reaction to the president's declaration had tended to be more circumspect. Not that I doubted Mr Reddy's sincerity. Only, living in Delhi as I have been for the last 40 years, I could not easily bring myself round to believing that such things could really happen eventually. Some time ago I was passing the time of the day with a senior official of the president's secretariat, an uncomplicated person who had a way of blurting out things. Speaking of the time when his appointment to the president's secretariat had just been announced, he told me that he had taken his wife to the president's estate for a look at the bungalow which was to be their residence. The good woman's immediate reaction was to warn him very firmly that she would never forgive him if he failed to keep those quarters until the time of his retirement. The point is that the question, whether to be in Rashtrapati Bhavan or not to be, is not simply one for the Rashtrapati or even for Rashtrapati's family to decide. There are so many vested interests involved and I am rather sorry that Mr Sanjiva Reddy chose to incorporate his statement of renunciation in so formal a manner into the body of his Independence Day broadcast.

One of the serious limitations on the functioning of the government is the absence of a "memory bank" in most of the ministries. Only two viz. Finance and Home—the latter to a lesser extent than the former—seem to be equipped with a "memory bank" of any degree of usefulness. This means that there could be a large element of risk in the briefing of new ministers by their senior officials who, in many cases, may also be new to the business of their present posts. Fortunately, an important ministry such as Defence has for its head a minister who is not a stranger to this portfolio. This, however, is not the case with another major ministry, to wit, External Affairs. It is indeed shocking that this ministry (of all ministries), which is supposed to be run by a highly professional elite, should be deficient in the vital equipment of a properly organised "memory bank".

Some observers attribute this institutional gap in the working of this ministry to the regretful circumstance that its successive bureaucratic heads have not only had short tenures, but have also been spending less time at their desk than in travelling abroad and trying to win friends and influence people in foreign parts. In sharp contrast is the practice in the government of Japan where the permanent head of the Foreign Office seldom, perhaps never, leaves his country during his tenure, leaving it to his immediate subordinates to cultivate more distant pastures while he himself keeps a watchful eye on things from the centre of the Foreign Office network, like a spider sensitive to the slightest movement anywhere in the web.

VB

Problems of agricultural credit

Institutional Finance for Agricultural Development : B. N. Choubey; Subhada Saraswat, Pune; Pp 339; Price Rs 40.

Development and Underdevelopment—A Marxist Analysis: Geoffrey Kay; The Macmillan Press Ltd; Pp 194; Price £3.95.

Management—Theories, Principles, and Practices : S. B. Rao; Vora and Company Publishers Pvt. Ltd, Bombay; Pp 237; Price Rs 25.

Developing the Rural Poor : S. M. Pandey and J. S. Sodhi; Shri Ram Centre for Industrial Relations and Human Resources, New Delhi; Pp 192; Price Rs 30.

Iran : Past, Present and Future : Edited by Jane W. Jacqz; Aspen Institute for Humanistic Studies; New York; Pp 481; Price not given.

Professional Management in India—Problems and Prospects : Edited by M.V. Pylee and K. C. Sankaranarayanan; Foundation for Management Education, Trivandrum; Pp 466; Price Rs 75.

Reviewed by **Academicus**

IN VIEW of the vital role of agriculture in providing food and fibre for the ever increasing population and direct employment to about 40 per cent of the world population, importance of agriculture, despite rapid industrialisation, has not in any way diminished. It has become necessary to highly modernise agriculture not only for achieving self-sufficiency in foodgrains and agricultural raw materials but also to enable it to throw up surpluses for investment in other sectors of the economy. This matter is all the more important and urgent in developing countries such as India. But it is no wonder to the students of agricultural economy that all farmers, especially small farmers, must of necessity borrow at one time or another. Farmers in India are no exception to the rule; on the other hand, they strongly reinforce the hypothesis.

exhaustive analysis

In the book *Institutional Finance for Agricultural Development*, the author has given detailed and exhaustive analysis of the various facets of the problem of agricultural credit. What is more significant, on the basis of his analysis, he has made a number of suggestions which merit careful attention of scholars and policy-makers. In a brief review such as this, commonplace things found almost in every book on the subject will be left out and only the striking features referred to and appraised.

According to the demand projections made by various expert bodies, it appears that by 1978-79 annual credit amounting to Rs 3000 crores would be needed by Indian agriculture and steps will have to be taken to meet this demand, if Indian farming is to run its course smoothly. In order to provide credit on a rational basis, in place of traditional lending criteria followed by cooperative banks, the author has suggested that more sophisticated tools of credit appraisal will have to be evolved and followed. Tools such as balance-sheet analysis, ratio-analysis, analysis of income statement, costs and returns analysis and risk analysis will have to be followed, to avoid indiscriminate financing and wastage. These tools may have some limitations in a country such as like India, yet recourse will have to be taken to them to put agricultural financing on fairly sound lines.

BOOKS BRIEFLY

As regards organisation of cooperative credit, having analysed the existing structure and suggestions such as partnership between cooperative and commercial banks, concept of integrated functioning of rural banks and so on, the author has emphasised the need for a dynamic approach in this regard. According to him, the remedy lies in a harmonious blending of the resources of cooperative and commercial banks in the country. The two types of banks must be brought together to evolve a commonly accepted pattern of base level organisation, whatever its designation. These institutions naturally will have to be multi-purpose organisations capable of providing integrated services to the entire rural population in the area of their operation. It is high time, according to the author, that such a dynamic policy in this regard was evolved and followed, instead of contradictory approaches followed in the past (for example in the matter of single-purpose and multi-purpose cooperative societies).

critical review

Discussing the problems of institutional credit for agriculture, the author has opined that time has now come to undertake a critical review of the role of the Reserve Bank in the sphere of agricultural credit. It is felt that in the absence of developmental outlook and lack of technical expertise, the Reserve Bank is not suited to function as a permanent development bank for agriculture in the country. It is no fault of the Reserve Bank that it cannot function as a purely developmental agency because primarily it is the central banking authority in the country charged with the responsibility of a controller of currency and credit including credit for agriculture. The Reserve Bank should revert to its true and purely controlling functions, having successfully acted as a catalyst for the development of institutional finance for agriculture. The author is of the opinion that the role of institutional finance and its development should be entrusted to a 'National Bank for Agriculture' to be established by unifying all the existing refinancing institutions such as the Agricultural Finance Corporation and the Agricultural Refinance Corporation. While the suggestion is worth consideration, the author needs to be

reminded that a suggestion along similar lines in the past was found unacceptable to most of the state governments on the ground that such an institution would encroach on state autonomy in a vital matter such as agriculture! The state governments want resources from national financing institutions but not their control over their dispersal and collection. No wonder, state governments under control of powerful landlord lobbies rejected the suggestion of an all-India agricultural bank.

matter of politics

It is not so much the matter of organisation as of politics. And yet the fact remains that in view of the limited coverage of cooperative banks (even after more than seventy years of their existence), regional disparities in their development, absence of powerful promotional role of the Reserve Bank in the field of agriculture, inadequacy of medium and long-term funds provided by it, shortcomings of government and private credit, and above all, absence of a strong, specialised institution for providing all kinds of adequate, timely and cheap promotional and developmental agricultural finance to all creditworthy cultivating peasants and for coordinating the activities of all the state level financing institutions, there is an imperative need for a national level bank for farm finance. The Central Co-operative Bank of Agriculture and Forestry of Japan and the Federal Land Banks of the USA may serve as models for a 'National Bank of India for Agriculture and Co-operatives'.

Discussing the problem of institutional credit to small farmers, the author has rightly contended that "the problem of reconstruction and rehabilitation of the poor man's economy can be tackled only by the state with a strong political will and through a competent machinery responsive to the needs of the people, in which co-operatives, given enlightened leadership and competent management, can play an important role in providing productive capital and technical know-how on a participative basis, to stimulate faster growth of the economy with stability and social justice." The author has given due warning that frequent changes in credit-giving machinery would only cause confusion and therefore may not be an ideal solution to the problem of providing finance to small farmers.

Altogether it is an excellent book which has exhaustively treated the problem of agricultural credit in India, historically and analytically. There may be nothing that is original in the book and yet the discussion is lively and provides a true perspective to the gigantic problem of agricultural finance in India. This is no mean contribution because often it is the lack of perspective that takes us awry. This is a book that needs to be read by all students of agricultural economics.

MARXIAN ANALYSIS

What it is that brought about economic development in the western countries in the 19th century? Why is it that underdeveloped countries have remained underdeveloped? Is economic development of the western capitalists countries at the cost of backward countries? Or is it an independent process that has nothing to do with the economic backwardness of underdeveloped countries of the present day? In a sense these are only historical questions; but proper analysis of the above problems might have a close bearing in the present relationship between developed and underdeveloped countries of the world.

So far as the classical theory or for that matter even neo-classical theory was concerned, economic and social divisions of the world into developed and underdeveloped were understood as expressions of natural differences in race, climate and resources. Differences in economic development were treated in much the same way as, say, differences in rainfall or climate. These differences were supposed to be natural and therefore more or less permanent. The classical school went one step further. They were convinced of the principle of natural harmony and therefore they could not conceive of any possible conflicts between national interests. On the other hand the school maintained that it was because of the developed countries that backward countries have been in a position to reap some benefits which otherwise would not have been possible for them. Just as division of labour within a country is not only natural but advantageous to all individuals in the country, division of labour among nations, some concentrating on the development of industries and others on the production of foodgrains and agricultural raw materials, were beneficial not only to the industrialised countries of the west but also to the countries of Asia, Africa and Latin America. How else would they have given up the idea of self-sufficiency and specialised in the production of cotton, jute, oilseeds and tobacco? Who else would have purchased these commodities in large bulks except the industrialised countries to feed their factories? Were not these agricultural countries getting in return cheap machine-made goods of all sorts which it would have been impossible for them to enjoy?

It was thus the operation of the principle of division of labour based upon natural conditions that resulted in close interdependence and harmony and natural benefits to all. The classical and neo-classical school thus built a beautiful theoretical fabric which for long received general acceptance not only in western countries but also in backward countries like India where the coming together of the English and Indian peoples came to be regarded as an act of providence. The political and economic views of the first generation of Indian leaders were moulded by these classical thoughts on which they were nurtured for long.

surplus value theory

In his book, *Development and Underdevelopment—A Marxist Analysis*, Geoffrey Kay has explained the Marxian theory of underdevelopment on the basis of well known Marxian theory of value and surplus value. As explained by the author the story begins during the mercantilist days or with merchant capital of the pre industrial age in Europe. The merchant capital saw the underdeveloped world as an indispensable source of necessary means of production, particularly raw materials of which cotton was the most important throughout much of the 19th century. Later on as industrial production progressed in west European countries

other commodities such as rubber, tin, bauxite, coffee and so on became important. Not only were those materials indispensable to the productive process, but acquired cheaply they offered a direct means of maintaining the rate of profit and offsetting any tendency for it to fall.

Its second interest in acquiring a reliable and cheap supply of means of consumption such as wheat and other forms of food was motivated by the same concern over the rate of profit. For lower the value of foodgrains the lower would be the value of labour-power and therefore the social wage, and greater therefore the rate and amount of profit. Third, the underdeveloped world, according to Marx, presented industrial capital of west European countries vast potential market in which it would not only realise the surplus value extracted from the proletariate in the developed world, but could augment it with the surplus product of the colonies through unequal exchanges i.e. by selling manufactured goods in the markets of colonies at prices that far exceeded their cost of production. The western countries could do this because of their political dominance over the colonial countries.

reason for backwardness

According to Marx, there was also another reason for underdevelopment in colonial countries. The reorganisation of production which came about inevitably in colonial countries did not require investment of productive capital on a massive scale. The manner in which export production was organised in colonial countries varied from one country to another depending upon the social conditions that prevailed in those countries and the nature of the commodities produced and exported. In some cases production of agricultural commodities remained with the native peasants while in some other the task was undertaken by expatriate controlled plantations. In countries that exported minerals, capitalist methods of production came to be employed. But both mines and plantations employed wage-labour and in many cases the firms involved were subsidiaries of productive firms in developed countries of the west. Though in some ways these undertakings appeared as capitalist, on the other hand in spite of certain capitalist features, it would not be correct to treat them as such. First, they invariably relied upon migrant labour which stayed only for a relatively short time and until practically the end of the second world war, they never set about creating a permanent labour force. This was, according to Marx, not an accidental development but was part of a carefully worked out strategy to keep wages low. Second, these firms or productive units were characterised by 'low degree of capitalism'. The main element of production was living labour, the vast bulk of which was illiterate and unskilled working with the assistance of very few instruments.

English millocracy

Earlier in his *The Future Results of British Rule in India*, Karl Marx was toying with another idea. He wrote: "I know that English millocracy intended to endow India with railways with the exclusive view of extracting at diminished expense the cotton and other raw materials for their manufacture....You cannot maintain a net of railways over an immense country without introducing all those industrial processes necessary to meet the immediate and current wants of railway locomotion and out of which there must grow application of machinery to those branches of industry not immediately connected with railways. The railways system will therefore become, in India, the forerunner of modern industry."

But as Marx rightly maintained in his *Das Capital*, industrialisation of the western countries did not lead to true industrialisation of the colonies but like the merchant capital of the earlier period, it fattened itself by exploitation of colonial resources and labour. This theory of underdevelopment based on Marxian theory of value and surplus value appears certainly more convincing and acceptable than the classical theory which was thoroughly naive and based on wrong postulates.

This book has interpreted fairly clearly the Marxian explanation of development and underdevelopment and even a reader not acquainted with advanced theory of economics will be in a position to follow the analysis.

MODERN MANAGEMENT

Scientific management as understood today is of comparatively recent origin. This is a subject which is at present prescribed for students who study for MBA, DBM, M.Com, and certain engineering disciplines. For long Indian students have been depending upon books by foreign authors. But the context in which those books are written being entirely different, many of the topics and problems discussed therein have little relevance to Indian conditions. S.B. Rao who has experience both as an academician and as a practising executive has done well to write *Management—Theories, Principles and Practies*, keeping in view the Indian student world, the practising executives in India and the general readers.

One sometimes doubts whether modern manangement is a science or an art. It is said to be a science because scientific management "implies formal methods of investigation and study of problems and decision-making as against institution and rule of thumb." Thus modern scientific management concept and philosophy, according to the author, replace "the rule of thumb and do not accept that knowledge and skills could be acquired through heredity only. It assumes that management skills can be learnt."

But it should also be noted that management is also an art because "the person has to collect, assimilate, analyse, evaluate the facts and take a decision. In all this his judgment and intuition play an important role."

The author has distinguished between the old traditional management laying emphasis on hierarchy of superiors and subordinates, leaving of all decisions to superiors at the top, giving of orders by superiors to subordinates, securing obedience from subordinates, and supervision to be production-oriented rather than employee-oriented. Practically in everyone of these respects, modern scientific management holds opposite views depending as it does on behavioural science and study of human psychology.

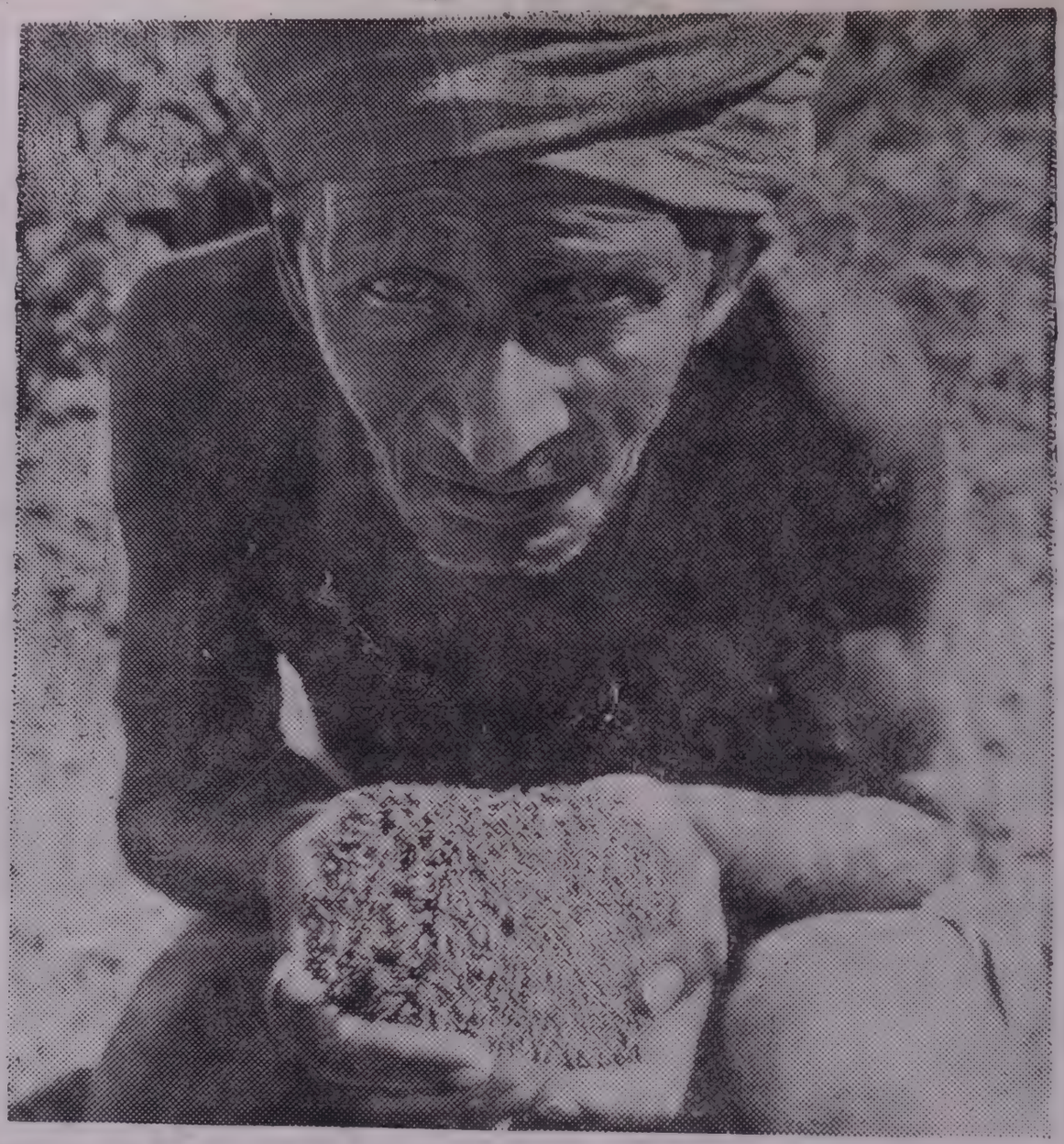
The author has critically analysed the

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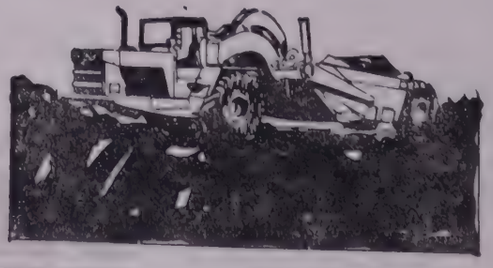
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various management theories, namely the classical or traditional theory (emphasising the measuring of fair day's work, determining the best way of doing the work, selecting the best man for the job, and treating workers as just one of the various inputs); the human relations theory (treating workers as human beings, making workers feel useful and important and emphasising that money is not the sole motivator); and the human resource theory (emphasising desire by workers of opportunities for development, participation by employees in decision-making, and joint setting of goals of management). The tracing of the evolution of these various management theories shows how ideas have been gradually changing in the field of management.

The entrepreneur is the pivot of the modern industrial system and the author has analysed some of the problems such as decision-making which he has to face and solve.

detailed analysis

The author has analysed in detail the various problems such as organisation and organisational planning, structure of organisation (made up of board of directors, executive committee, chairman, chief executive, etc) and some practices followed in India in this regard. He has analysed the functions and responsibilities of the above officials. While discussing the problem of delegation of authority, the author has emphasised that management should ensure that after different functions are entrusted to different individuals and departments, they are also clothed with sufficient authority to achieve the objective and targets assigned to them. There will have to be proper balance between the functions assigned and authority delegated. Authority and responsibility should go hand-in-hand. The author has shown how delegation of proper authority saves time, encourages initiative and improves quality of work.

Committees have come to dominate modern management. The author has analysed in detail the role of committees and the advantages and disadvantages of committee system of work. After indicating the advantages of committees, he has also indicated grave disadvantages (such as high cost in terms of time and money, minority tyranny, indicision, violation of the principle of unity and so on) from which the committee system of work suffers.

The author has dealt in detail with the very important problem of staffing (which includes determining manpower requirements, discovering workers, interesting them in joining the organisation, preparing them for effective participation, and holding them throughout the long period during which their continued collaboration is mutually advantageous). Reward system is another chapter that should attract notice of Indian managements.

While the book provides some broad guidelines to scientific management, it also suffers from severe defects. The author has drawn heavily on foreign authors, especially Americans, who have developed their concepts and principle in a totally different background. It would be hazardous to blindly accept their concepts and even organisational principles. The author should have drawn on indigeous experience which may be still relevant in the modern Indian industrial and commercial setting. Organisational concept and principles which are in tune with the cultural background of the people generally prove more efficient and enduring.

The various topics are brought together by the author in a disjointed manner which indicates that managememt is basically an art and cannot be a perfect science. The author should have emphasised this practical aspect much more, if necessary by analysing case studies from Indian background.

Lastly the book has been brought out in a rather shoddy way making reading of the book a painful affair. A book that purports to be a textbook and, on top, on the subject of scientific management, should have been brought out in a better way.

RURAL POOR

The special programme for the development of small farmers, marginal farmers and agricultural labourers came to be initiated during the fourth Plan. The fifth Plan envisaged substantial expansion of coverage of the programme to more districts having high concentration of the above categories of farmers and peasants.

The Rural Labour Studies Programmes of the Shri Ram Centre undertook the study of the operation of Marginal Farmers and Agricultural Labourers Development Agency (MFALDA) and *Developing the Rural Poor* is the outcome of that study. The objective was to examine the pattern of assistance utilisation by the beneficiaries of the above scheme and its impact upon their economic status. More specifically, the authors were interested in identifying the effects of MFALDA assistance on the level of income, employment, expenditure, and indebtedness of the beneficiary households and the problems, if any, faced by them before and after receiving the assistance. The study was conducted in Najafgarh and Nangloi blocks of Delhi. It would be instructive to know the findings of this study and the suggestions made by the authors to make the programme more effective.

reasons for nonparticipation

The authors found that Delhi's small and marginal farmers, landless argricultural workers and other rural households with poor economic base could not adequately benefit from various programmes of rural development pursued in the past. Their non-participation or poor participation in those programmes was found to be due to factors such as non-availability of required short and medium-term credit facilities for the purchase of seeds and fertitisers, inability to offer security of land or other tangible assets, absence of service facilities, heavy cost of land improvement and water management, and non-availability of required credit to take up subsidiary agricultural operations such as dairying, poultry, etc.

It was found that operation of MFALDA in Delhi area did not fare well and failed to achieve the targets laid down. Achievements in programmes such as land levelling, marketing, storage bins, credit for agricultural inputs, rural artisans and rural works programme was almost nil till 1974-75.

The authors have compared the position of beneficiaries with that of non-beneficiaries. It was found that beneficiaries possessed more valuable assets than non-beneficiaries. Also, more of the beneficiaries than of the non-beneficiaries belong to higher castes. This lends sup

port to the view that higher caste people are likely to derive more benefits from these schemes than others. Possession of some resources, skills and experience appears to be an essential prerequisite for the successful running of self-employed occupations. It was surprising to find that nearly one-third of the non-beneficiaries were not even aware of the existence of MFALDA in Delhi and another 28 per cent came to know about it only through friends. This reflects upon the effectiveness of the extension activities of the agency. The implementation machinery has not been effective There was no coordination between the MFALDA agency officials and commercial and co-operative financing institutions.

incommensurate gains

Majority of beneficiaries reported a substantial increase in their incomes due to MFALDA, though in many cases gains were not commensurate with expectations. Almost every beneficiary got about 20 days' additional work per month. Occupational distribution of the beneficiaries and working members of their families changed significantly after receiving the assistance, many beneficiaries taking dairying and other gainful employments. The per household and per capita expenditure on food and non-food items of consumption incurred by beneficiaries was significantly higher than in the case of non-beneficiaries. The incidence of poverty (in terms of minimum level of private consumer expenditure) was observed to be much less in the case of beneficiaries than in the case of non-beneficiaries.

On the basis of their findings, the authors have offered some suggestions to make MFALDA more effective.

It is felt that effectiveness of the scheme can be increased further, if necessary precautionary measures are taken for identifying and selecting the beneficiaries before the scheme is put into operation. There is also, according to the authors, needs to dispassionately review the criteria and procedures for identifying the beneficiaries of the scheme. The authors have also stressed the urgent need to strengthen the cooperatives in rural areas of Delhi, if full benefit is to be derived by beneficiaries from the scheme. There is also clear need for improving the effectiveness of the extension service.

The programme content also needs to be changed. For example, the poultry programme has good economic potential. procedure for the purchase of milch cattle needs change. The quality of equipment provided by many establishments on the list of MFALDA was found to be defective or costly or both. The authors have stated that adequate and competent implementation staff is necessary. Most of the existing staff seemed to be overburdened, thus reducing their efficiency. It was also felt that roles and responsibilities of various rural administration staff vis-a-vis the MFALDA are far from clear. It is necessary to reassess and redefine these, keeping in view the changed emphasis on the development of the rural poor.

A number of schemes are put into operation for the benefit of the small and marginal farmers and the rural poor. They have been in operation for quite some time. But there is no machinery functioning on a permanent basis to assess the impact of these schemes on the people for whom they are meant. Shri Ram Centre has done an excellent job by undertaking this study and arriving at some definite conclusions regarding MFALDA. This study provides a model for other such studies which should be undertaken to assess the impact of various schemes meant for the benefit of the rural poor. Micro-level studies alone will help because no generalisation can be arrived from this study of MFALDA in Delhi as conditions and circumstances will vary from region to region. The book will be found useful by policy-makers, development administrators and research scholars.

IRAN AT CROSSROADS

Iran, at the crossroads of eastern and western hemispheres, is swiftly emerging into a modernised nation and aiming at assuming an important role in world affairs. For countries such as our which are very near to Iran, an understanding of current developments in that country and her future aspirations is absolutely essential.

The book *Iran : Past, Present and Futu e*, edited by Mrs Jane Jacqz focuses attention on Iran's need to achieve economic growth and military strength. The various articles in the book discuss problems such as Iran's vital concern for balanced economic growth, her agrarian reforms, citizen-participation in decision making, spread of literacy and education and pursuit of national interests within the context of an equitable international order.

changing society

In his article on developments in Iran, Mr Tofigh has stressed that the Iranian society is changing very rapidly and that population, urbanisation, education and literary, GNP and industry have all experienced tremendous growth. (For example, GNP of Iran at current prices increased from 263.9 billion rials in 1959 to 2,975 billion rials in 1974). There have also been important qualitative changes as a result of land reforms. Although many changes represent clear gains, the writer has given warning that many carry liabilities as well. It has been emphasised that rapid social changes in Iran like land reform, emancipation of women and forced sales of company shares to industrial workers have no doubt created many satisfied groups as was to be expected; but the reforms have also created some dissatisfied groups as well, with the result that there has not been complete unanimity of response.

The general economic outlook with reference to Iran's growth and development and its basic economic problems, present and future, have been the main subjects of many articles. F. Najmabadi has shown how industrial growth in Iran has increased from five per cent a year in 1962 to more than 20 per cent in 1974. As regards the future strategy, attempts are being made to introduce industries in areas with good ecological conditions; to introduce closer coordination between the development of existing centres and the location of new industrial cities using industrial development as an active instrument of urban planning; and to minimise the risk of environmental pollution. Iran is also paying considerable attention to issues such as (i) the relationship between Iran's military expenditure and eco-

nomic growth; (ii) income distribution; (iii) implications of development for human rights; (iv) whether Iran's development goals may be too ambitious; and (v) the future role of exports in Iran's economy.

Mr Ajani has commented on the growing interdependence of the agricultural and manufacturing sectors, the need to accelerate farm production, and the importance of further agricultural development.

F. Aminzadeh has discussed the subject of 'Human Resources Development: Problems and Prospects'. He has stressed the importance given in Iran to the development and utilisation of human resources in the country's developmental strategy. He has described Iran's population with reference to such factors as age, literacy, geographical location and productivity. He has also referred to the remarkable expansion of the educational system at all levels, of employment by sector and type of jobs, the framework provided by the fifth development plan for self-generating growth, and problems currently affecting the development and use of human resources in Iran.

important institution

Writing on the changing leadership in Iran Amin Alimard has observed that monarchy has always been the most important political institution in Iran and the monarch's central role in the political process is a fundamental point. He has also referred to the determination of the Shah of Iran to transform Iran into a modern industrial society. Problems such as one-party state, rapidity and extent of popular participation and decentralisation in Iran are also analysed with a certain amount of liberty not generally expected in a book of this type.

As regards income distribution and its major determinants, M.H. Pesaran has stressed the importance of equitable income distribution to economic and political stability. For long planners in Iran had taken for granted that income distribution will start automatically improving when development reaches a certain level. But this view is now being questioned as a result of recent experience of most of the developing countries. He has concluded that inequality in income distribution in Iran was increasing until 1971-72, but may have stabilised during the last few years; that income distribution is less equal in rural areas than in urban areas; that there are variations in income distribution patterns among the regions; and that income inequalities in Iran will probably be reduced in future as a result of development and special government measures benefiting rural areas.

economics of oil

The broad question of Iran's role in world affairs focusing attention on such aspects as the economics of oil, Iran's role in world economic setting, and Iran's foreign policy has received considerable attention in this volume. A number of authors have commented on the severe effects of the oil price rise on the third and fourth worlds. The deficits of all developing countries have risen sharply, partly because of higher cost of oil imports and partly because the developed industrialised countries have passed on their own higher cost of oil to developing countries in the form of higher prices for export of manufactured goods. Various suggestions are made for aiding the developing countries; but the two-tier system of oil prices generally does not seem to find favour in Iran.

Discussing the problems of Iran in the world economic setting, several authors have pointed out that Iran has to exist in the world with its basic problems including inflation, recession and chaotic monetary and economic systems and with tremendous disparities among nations. Generally rich countries are growing richer exploiting the resources of the developing countries at artificially low prices. It is pointed out that the first major breakthrough in achieving a new world order came through the OPEC's action to fix prices of oil. The authors hope that producers of other commodities in developing countries will follow suit.

Discussing 'Iran's International Position', several authors have observed that security is a fundamental concern of Iran's foreign policy, especially in the light of its strategic location and its status as a major oil-producing country. Ira has a great stake in the Persian Gu where it aims at stability and securit And therefore the main tenet of Irani foreign policy is military dominance the Persian Gulf area. Mr Ghoreys has observed in this regard that Iran ca not count on the United States to prote its interests on the basis of a bilater treaty. In this connection a senten occurs on page 398 to which Indi readers will certainly take objection. T USA cannot be depended upon becaus according to the author, "The Indo-Pak tani War of 1972 demonstrated the ineffe tiveness of bilateral agreements with t United States, which allowed Pakist to be attacked and dismantled without t slightest reaction." Though the autho conclusion regarding bilateral defen agreements may be right, it is based wrong facts and faulty logic.

It appears to be a book written to ord and if there is any dissent, especially some foreign participants, it is on margina!. The articles are written in a d and drab style with hardly any sophistic tion in the analysis. The only merit the book is that it gives the readers broad view of the developments which a taking place in Iran, though it is qui possible that the picture is painted with propagandist touch. Literature fro countries with capitalist dictatorship ca be as dull as literature from the countri with communist ones.

PROFESSIONAL MANAGERS

The volume *Professional Managemen in India—Problems and Prospects* edite by M.V. Pylee and K.C. Sankara narayanan, consists of thirty-nine speciall written articles discussing problems suc as: What is the extent of professiona management in India? What are th problems that it confronts? What are th factors that help the growth of profes sional management in the country an forces that come in the way of its deve lopments? Most of the writers are me with academic distinctions and lon practical experience. Since in the place o traditional, hereditary and family manage ment, it is the professional managemen that is going to dominate the futur pattern of organisation in all fields o

human activities, it would be instructive to closely study the views expressed by some of the writers.

At the time India became independent in 1947, business and commerce in India was controlled almost entirely by family or caste groups, and a few public service undertakings that existed were managed by civil servants. One's qualifications to enter a business concern depended on one's relationship with the group, either as a member of a family or of a caste and whatever training one received was that which usually came while doing the job.

The first quarter century since independence has however witnessed almost revolutionary changes in the management scene in India. Business enterprises began to grow rapidly and many of them assumed large sizes. Their management by closely-knit family or caste hierarchical groups became practically impossible. There was also side by side the impact of new technology on business undertakings. The emergence of the public sector was another significant development. To meet the ever increasing demand for trained personnel to man the various positions and to manage new enterprises, professional management was the only answer.

role of family management

Today it is not only in the public sector that one comes across professional managers in India but also in the private sector. Family or caste managements have not been in a position to cope with the great expansion and diversification and as a consequence they have been compelled to take professional managers from the open market. Thus management in India today at the level of operations is mostly professional although managerial control is still largely in the hands of family or caste groups. Professional boards of management have yet to find a significant place in the management scene of India.

M.V. Pylee in his article has shown how and why professional magagement developed in India. Trends in professionalisation in India, contribution of the managing agency system, the role of family management in a developing economy and the role of educational institutions as agents of change are also discussed in his article. The author has pleaded that today's family management should strive through a deliberate and systematic programme of training and development to assume the role of professional management to meet the challenging responsibilities of tomorrow.

Management is one of the most sensitive human institutions which is subject to various pressures from within and without and is highly susceptible to change. Naturally changes in society are bound to influence management and compel it to change its methods of operations. Sreenivasan has made an attempt in his paper to find out what changes have taken place in Indian society during the past few decades and assess how these changes have affected management methods.

important cause

Poor management or under-management is one of the important causes of economic backwardness of developing countries. There is a wide gap between the requirements of these countries and the available talent in this field. Prof Agarwal has examined the problem of how to fill this gap and what role universities can play in this regard.

Business environment is fast undergoing changes and progressive management has got to appreciate and respond to these changes in order to be effective. Business environment in developing countries is different from that in developed countries. N.C. John has brought out the nature of these differences and has argued that management in less developed countries should respond to these changes to ensure their survival and success.

According to P.N. Rajendra Prasad and P. Ramchandra Poduval, the pace of industrialisation can be accelerated by a deliberate attempt at providing more opportunities to entrepreneurial talents. The government should come forward and take steps for the development of entrepreneurial and managerial talents by deliberate planning and training at all levels. According to the authors, foreseeing changes and adopting them, innovating changes and implementing them, realising and discharging obligations to the shareholders, employees, consumers and the community as a whole, keeping up the vitality of the business, ensuring the growth of the concern in the rapidly changing environment, developing the essential qualities of foresight and courage and at the same time not deviating from the ethical principles held by the society—these are the significant challenges before the management in a developing country like India.

public undertakings

A number of authors have analysed the problems of management of public sector undertakings.

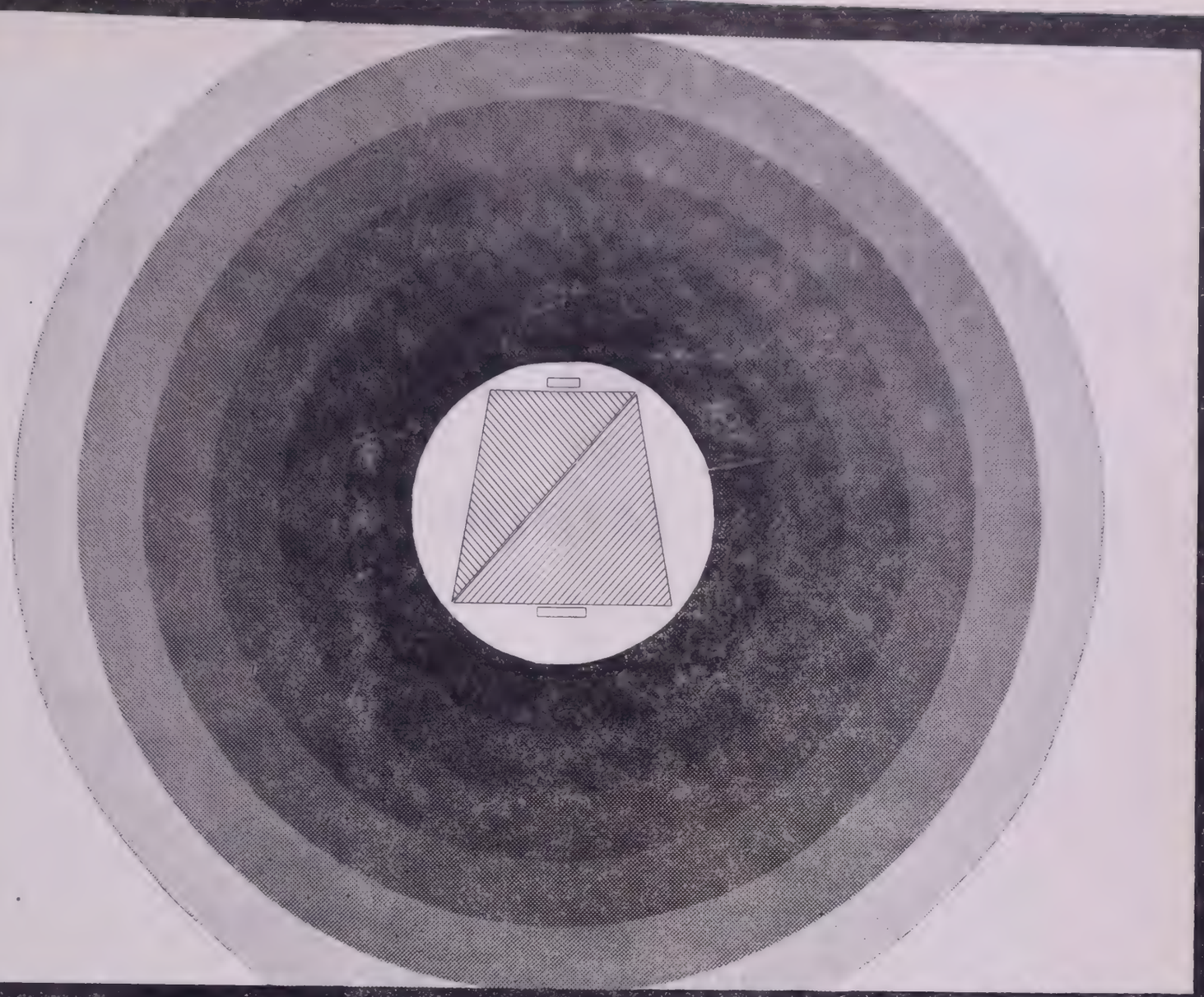
K.T. Chandy has made out a case for clear direction by the government in regard to employment and pricing policies and also in matters such as provision of amenities to workers, promoting industrial democracy, and fulfilment of social obligations. Without clear directions in these matters, management in the public sector will feel baffled.

M.K.K. Nayar has pleaded that performance of public sector undertakings should be reviewed regularly to see that the objectives are achieved and targets realised. According to him, seventies should see greater efforts on the part of the public sector undertakings towards promoting employment and exports. J.R.D. Tata with his unique background and experience has voiced the opinion that the public sector undertakings are generally hamstrung by a host of unnecessary controls by governmental agencies.

According to S.M. Patil, "The only way to get over many of the handicaps and improve the performance of the public sector is to provide it with an efficient professional management."

A number of authors have analysed problems of personnel management such as industrial management, inter-union rivalry, wage incentive schemes, joint consultation and worker-participation in management.

Altogether, it is an excellent book with valuable articles written by authors with varied experience in different fields. Reading of the articles gives a balanced and comprehensive picture of the role of professional management in future India.



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TRADE WINDS

Bonus Ordinance

THE PRESIDENT on September 4, 1977, promulgated an ordinance for payment of bonus for the accounting year 1976 at a minimum rate of 8.33 per cent. The bonus is to be paid irrespective of profit or loss subject to existing provisions in the Payment of Bonus Act, 1965, which empowers governments to protect marginal, sick and losing units. The government has also incorporated the Provision of the old Section 34 (3) with certain changes. The order says as regards Section 36 of the Act, which relates to exemption from payment of bonus, the government will soon communicate the guidelines to the states separately.

The President by an order also amended the Payment of Bonus Act, 1965. The order stated: 'Whereas Parliament is not in session and the President is satisfied that circumstances exist which render it necessary for him to take immediate action, in exercise of the powers conferred by Clause (1) of Article 123 of the Constitution, the President is pleased to promulgate the ordinance which may be called the Payment of Bonus (Amendment) Ordinance 1977. The bonus payable and prescribed under the agreement will be subject to the previous approval of the appropriate government and also subject to a minimum of 8.33 per cent and maximum of 20 per cent. For purposes of payment of bonus, banking companies and Industrial Reconstruction Corporation of India has been included in the ordinance.

The ordinance says that nothing in this Act will be construed to preclude employees entering into an agreement with their employers for granting them an amount of bonus under a formula which is different from that under the Act. However, no such agreement will have effect unless it is entered into with the previous approval of the appropriate government. Apart from this, any such agreement whereby the employees relinquish their right to receive the minimum bonus under Sub-section (2A) of Section 10 will be null and void in so far as it purports to deprive them of such rights.

Conversion of Coal to Gas

A high level meeting under the chairmanship of minister of Energy, Mr P. Ramachandran, was held recently to consider the report of the expert group for conversion of coal to synthetic oil. The meeting was also attended by the minister of state for Energy, Mr Fazlur Rahman, and senior officials of the Planning Commission; ministries of Petroleum and Chemicals, Industry, Defence, External Affairs, Finance and departments of Power and Coal of the ministry of Energy. The meeting decided that for the present efforts should be concentrated on substitution of oil by coal and on conversion of coal to gas and domestic fuels. It was decided to appoint a standing committee for substitution of oil by coal. The committee will also look into the need for providing incentives to achieve the objective of substituting oil by coal.

Pricing of Imported Cotton

At a press conference in the capital on September 3, 1977, the spokesman of the Northern India Cotton Textile Mills' Association stated that the Cotton Corporation of India (CCI) which had been charged with the responsibility of importing cotton by the government had pitched the cotton prices and their service charges at exorbitant levels. While the mills were keen to honour their commitments, they looked forward to the CCI adopting a realistic attitude and revising the prices on contracted imported cotton and reducing the service, bank and interest charges.

The mills had contracted with the CCI for imported cotton at rates determined by the CCI for delivery according to a pre-determined schedule. The government had announced that the prices of imported cotton should be in the range of equivalent Indian cotton prices and it also provided for a subsidy of 20 per cent to be passed on to the mills. At the time of entering the contract, due to scarcity conditions in the local market, the prices were high and increasing although the prices in the international market were decreasing. However, the CCI overlooked the falling international prices and fixed the prices of imported cotton on the *high Indian rates then prevailing*. The industry in view of the urgency and on the expectation that the CCI would supply the cotton according to its indicated time schedule, contracted on the prices determined by the CCI.

Due to no fault of the mills, the CCI could not deliver cotton on time and this resulted in heavy financial loss to the mills because they had to buy their day-to-day requirements in the local market at high prices, which would not have happened if the CCI had supplied cotton on time.

The shipment having arrived, the CCI is now forcing the mills to lift the cotton at contracted rates. Meanwhile in the local market the prices have fallen and the new crop has started arriving. But the mills cannot take the advantage of the lower prevailing prices because CCI is demanding payment on contracted rates.

Taking into consideration that the delayed supply by the CCI had forced the mills earlier to buy from the market at high rates and that the benefit of the 20 per cent subsidy provided by the government should be passed on in fully to the mills, the CCI should revise its contracted prices downwards.

Import of Polyester Filament Yarn

In order to make it possible for the bonafide users of polyester filament yarn, to secure their reasonable requirements conveniently and at an appropriate price, the government has decided to utilise the instrument of the State Trading Corporation, to achieve the objectives, to better effect. The orders issued recently in this regard by the Chief Controller of Imports and Exports provide for the actual users of the material to get the supplies from the STC under the direct allotment scheme for canalised items. On the export side, the scheme of linking exports of synthetic filament yarn textiles

with the import of this item has been restored with immediate effect. Registered exporters who have entered into firm commitments till September 2, 1977 will, however, be allowed to import the contracted stock directly. In addition, export houses who are manufacturers-cum-exporters of textiles, will be entitled under the new policy to get against their acquired licences this material through the STC only.

The STC is expected to be selling the imported polyester filament yarn at a price likely to be around Rs 115 per kg for 75 denier. As for other canalised items under the Import Control Policy for the current year, the pricing committee presided over by the CCI&E will be able to determine the price of this item as well.

Eurodollars for Bombay High

The government has decided to go in for a 50-million Eurodollar loan on commercial terms to help finance the development of Bombay High. Eurodollar loans are based on floating interest rates. In such loans, the borrower agrees to pay a particular margin over the prevailing London inter-bank interest rate. The margin varies depending on the liquidity of bank and the creditworthiness of the borrower. At present some developing nations are paying as much as 1.85 per cent above the inter-bank rate. But in the case of India, Eurodollar lenders have agreed to charge only one per cent above the inter-bank rate. This puts India on par with several European countries.

At present, the inter-bank rate is around six per cent, so that India will pay around seven per cent interest for the first six months. Subsequently this will be adjusted every six months depending on the latest inter-bank rate. The Eurodollar loan will have a maturity period of seven years, against five years normally accorded to developing countries.

Purchase of Foreign Currencies by RBI

With effect from Thursday, September 1, 1977, the Reserve Bank offices in Calcutta, New Delhi and Madras will purchase from authorised dealers in foreign exchange both spot and forward US dollar, Deutsche mark and Japanese yen. Such purchases are at present made only at its Bombay office. The spot and forward rates for US dollar, Deutsche mark and Japanese yen will be uniform for all the four offices and will be worked out by coupling the rupee-pound sterling rate with the cross rates for these currencies for appropriate delivery in the London market as on the previous working day. Forward purchases will be for periods upto six months on monthly option basis. Authorised dealers will also be given a full one month's time to take up the forward contracts.

Price of Cement for New Units

The government has decided that the ex-works price in the case of new cement units should be fixed on the basis of a net post-tax return of 12 per cent on net worth, the net worth being limited to a figure of Rs 230 per tonne of installed capacity, instead of fixing the price on the basis of 14 per cent return on total capital employed. This formula will be applicable both to the new units as well as the expansion of the existing units.

The government had announced on April 9, 1975, that the ex-works price in the case of cement units holding letters of intent and expected to come into production during the last two years of the fifth Plan would be fixed on the basis of a return of 14 per cent on the capital employed subject to a ceiling on capital cost of Rs 650 per tonne. The industry has been representing for some time that the ex-works price fixed on the above basis would be inadequate to pay a reasonable dividend to the shareholders and in fact, yield a very low return on equity. In the meanwhile, the government has also been examining the question of fixation of price for controlled commodities and have come to the conclusion that in such cases, the rate of return in general should be calculated on net worth of a company rather than on total capital employed.

Steel Utensils in Small Sector

The Industry ministry has decided to permit small-scale units manufacturing stainless steel hospital and surgical equipment and aluminium utensils to undertake the manufacture of stainless steel utensils also. This diversification facility is being granted in view of the improved availability of stainless steel sheets from indigenous sources. The diversification will be allowed only in cases where no additional plant and equipment are involved.

The government has also decided to coregularise the registration of units for the manufacture of stainless steel utensils, and hospital and surgical equipment registered up to March 31, 1977. In 1963, the government banned the registration by the state governments and the union territories. In February this year, the development commissioner for small-scale industries requested the states to indicate the circumstances under which these units were registered even after the ban.

LIC's 21 Years

Inaugurating LIC's country-wide celebrations of 'Insurance Week' commencing September 1, and lasting till September 7, 1977, Mr R.B. Pradhan, chairman, announced in Bombay recently that in view of its completing 21 years of its fruitful service to the nation, LIC was looking forward to greater involvement of the younger generation in its activities through the week-long celebrations in 579 centres all over the country where the LIC has its 847 offices engaged in serving its agents and policyholders. Life insurance being future-oriented, it is vitally concerned with the welfare of the younger generation and, therefore, LIC has announced nation-wide essay competition for the college students on the subject "A secure family is a happy family" and looks forward to closer association with the younger generation in furtherance of its aims and objectives.

All-round Progress

Commenting on LIC's progress during the short span of 21 years, Mr Pradhan observed that its new business has soared from Rs 283 crores in the first year to Rs 5119 crores during the last financial year. During the same period, policies in force have increased from 57 lakhs to 203 lakhs. In addition to this, over 40.5 lakhs persons have been coverd through the group insurance schemes. Considerable headway has been made in spreading the protection of life insurance to the rural areas. LIC's rural business last year amounted to

Rs 575.34 crores under 6.86 lakhs of policies which accounted for more than a third of its policies issued last year.

Group insurance, wherein several categories of lives which used to be earlier treated as un-insurable are now protected, has made great strides during the last few years and a sum of Rs 3007 crores was underwritten under this head last year. Total premium income has increased over 11 times from Rs 58.27 crores at the time of nationalisation to Rs 653.30 crores last year. During the same period, life fund has increased over ten-fold from Rs 364.87 crores to Rs 3952.88 crores.

National Development Bonds

The proposed National Development Bonds will by available at post offices and in public sector banks in three denominations, namely, Rs 10, Rs 100 and Rs 500. The bonds are encashable after a period of five years. A bond of Rs 100 will fetch Rs 165 on maturity.

The form to apply for the bonds is being advertised in newspapers. According to an official release until the forms are available with the issuing offices, the purchasers of bonds may use the form of applications given in the newspapers or apply on a plain paper in the same form.

Alcohol for Industrial Use

The minister for Petroleum and Chemicals & Fertilisers, Mr H.N. Bahuguna, stated recently that in view of the declared policy of introducing prohibition in the next few years, it would be necessary to divert more alcohol from drinking purposes to industrial use. Mr Bahuguna who was addressing a special meeting of the Central Molasses Board pointed out that in this context it would be necessary to examine how best the growth of alcohol based industries could be encouraged. Alcohol was a renewable source of energy and an alternative to petroleum feed-stocks and, therefore, much could be done to step up its production and use.

Currently, out of 440 million litres of alcohol about 300 million litres was going for industrial use and the balance for potable purposes. The minister said that a committee had already been formed to look into the growth of alcohol based industries and make its recommendations. It was expected that the report of the committee would be available for discussion at the annual meeting of the Central Molasses Board. The board meeting had been called to consider revision of alcohol price on account of state levies and also revision of transport charges on molasses.

Price Revision

Referring to the representation of the distillers for a revision of the alcohol prices, Mr Bahuguna said that the subject was under consideration of the Bureau of Industrial Costs and Prices who were doing a cost study. There, were, however, certain other elements like sales tax and local levies on molasses which were earlier quite nominal but which had now become substantial with the increase of prices of molasses to Rs 60 per tonne. But while considering price revision and the additional charges to be added to alcohol price, it had to be borne in mind that alcohol, which was an alternative feed-stock to naphtha, needed to be kept at as low a price as possible because alcohol based products had largely to compete with petro-based products. The minister said that the Central Molasses Board had to consider not only production and availability of alcohol, but also the interests of the user industries. The distillers should no doubt get an economic price for alcohol but the price should also be within the reach of alcohol based industries.

Crash Programme for Employment

The Industry minister, Mr George Fernandes, has initiated a crash programme to remove poverty and generate employment opportunities for a vast number of unemployed persons in the backward and neglected areas. With village as the nucleus, the programme lays massive thrust on the development of small scale, village and cottage industries to be implemented on a war footing. An 18-month action plan to create employment opportunities for nearly ten lakh people in north Bihar has been drawn for immediate implementation. Whereas, over one lakh persons will get direct employment, the plan envisages additional work for another eight to nine lakh persons in other related activities like distribution, transportation and trading.

The plan which is to serve as a model for every economic region and district in the country includes intensive development of khadi and village industries, handloom and sericulture and small scale industries in the villages. It also lays emphasis on the rural industries projects and rural artisans programme. The plan is the result of the three days detailed discussions on the industrial development of north Bihar which Mr George Fernandes had recentl at Muzaffarpur.

Newsprint Plant

Two newsprint plants to b set up in India will receive grant of Rs 16.5 crores fro the UK. The grant was appro ved by Mrs Judith Hart, Britis minister of Overseas Develop ment recently, according to British Information Service press release. One of the plants private sector project i Bhadravati in Karnataka b Mysore Paper Mills, will receiv a grant of Rs 14 crores t finance import of machiner and equipment. This plant wi produce 75,000 tonnes of news print per annum and will pro vide direct employment to 1,00 people.

The second, in public sector to be set up in Velloor i Kerala will receive a gran of Rs 2.55 crores to finance th import of machinery for pape finishing, instrumentation an laboratory equipment. Thi project, which is expected to b completed by October 1978 wi have an installed capacity o 80,000 tonnes of newsprint pe annum and will give direc employment for about 160 persons in the mill and indirec employment for about 15,00 others.

US Food Reserve Programme

The US administration ha announced a plan to create food reserve to guard agains sharp changes in foodstock and prices. At the same time officials announced a furthe plan to set aside 20 per cent o the wheat acreage from plant ing next year. At a recen White House briefing, actin secretary of Agriculture, M John White, stated that ther have been dramatic increases i world stocks of foodgrain since 1975. He explained tha

to avoid extreme price volatility, the reserve programme would put 30 to 35 million metric tonnes of food and feed grains aside before the beginning of the 1978-79 marketing year.

The administration also will seek congressional approval of a new international emergency food reserve of up to six million tonnes. This reserve would be used for non-commercial food aid for world nutrition assistance and to meet US obligations under a proposed international reserve agreement, it was explained. "It appears that there are abundant supplies of wheat in the world," Mr White stated. He said the United States wanted to help establish an international wheat agreement, which would help stabilise world market prices. The reserve programme and the set-aside plan, he said, should not result in high prices because of the already sufficient supplies on hand. "We do not expect price advances above the support level," he said. Argentina and Canada have already planned cutbacks in production and that Australia was also discussing the programme.

NBCC

With the acquisition of three new export contracts worth Rs 990 crores workload of the National Buildings Construction Corporation (NBCC) in respect of foreign contracts has touched the figure of Rs 1300 crores. The new export contracts include, laying of prestressed concrete sewer at Baghdad in Iraq, construction of 1000 houses at Beni Walid, and a hospital complex and 200 houses at Ghat in Libya. In the home market also the NBCC have been entrusted with some of the prestigious jobs such as construction of underground railway stations for Metropolitan Transport Project (Railways) in Calcutta, Kolaghat Thermal Power Station in West Bengal, Akaltara Cement Plant in Madhya Pradesh and 180 M. Vijayawada thermal power station chimney in Andhra Pradesh. The total balance workload in India now is of the order of about Rs 305 crores. During the quarter ending June 30, 1977 the inland works turnover was to the tune of Rs 3.6 crores as against Rs 3.1 crores for the corresponding period last year registering an increase of about 16 per cent. The turnover for the foreign works was about Rs 1.8 crores during the same period.

Utilisation of Irrigation Potential

A beginning has been made for accelerated development of irrigation in the country and the outlay on major and medium projects has been stepped up by Rs 125.75 crores of which Rs 100 crores have been provided as advance central assistance. Fresh irrigation potential through major and medium projects will touch an annual level of 1.45 million hectares in the last year of the fifth Plan. A forward looking and determined irrigation plan (major, medium and minor) will have to be developed in order to bring four million hectares under irrigation annually as proposed. The details have been intimated to the concerned states.

Greater attention is also being paid to ensure optimal utilisation of the irrigation potential already created in the country through command area development. Out of the 60 irrigation commands identified for integrated command area development, 36 command area development authorities have already been set up covering 46 irrigation projects. The programme of work includes modernisation of the irrigation system, provision of main and secondary drains, soil and topographical surveys and designing of on-farm development works. 50 pilot projects of soil and water management have also been established in selected command areas and 20 more projects are expected to be established during the next two years. These pilot projects have been established to test, demonstrate and educate the farmers in various improved on-farm development techniques like improvement in water distribution system, channel lining, water control devices, land levelling and shaping, improved drainage system, irrigation practices and better cropping patterns etc. Necessary finance is being provided by government of India.

Award for Hindalco

A dispute between the Uttar Pradesh State Electricity Board and Hindustan Aluminium Corporation Ltd (HINDALCO) over outstanding bills is reported to have been arbitrated in favour of HINDALCO. The electricity board had demanded Rs 4.82 crores as outstanding against HINDALCO. The dispute was referred to the sole arbitration of the former Chief Justice of India, Mr Hidayatullah. Under the award given by the sole arbitrator the amount payable by HINDALCO worked, out to Rs 70.99 lakh only and not Rs 4.82 crores as claimed by the board. Pending arbitration the HINDALCO had deposited Rs 1.18 crores with the electricity board to avoid any disconnection of power against the alleged non-payment of outstanding bills.

Names in the News

Mr A.W.G. MacIntyre has taken over as managing director of Dunlop India Limited. Mr MacIntyre joined the Dunlop group in 1950. Following a period of 11 years in the UK, Mr MacIntyre spent four years in Brazil and India. He was works director in Dunlop Malaysia from 1966. From 1971, Mr MacIntyre was based in the UK with the responsibility for the manufacturing units of the Dunlop group in Africa, Asia and the far east. He was appointed joint managing director of Dunlop India in January this year.

Mr K.S. Rajan has taken over as chairman of Railway Board and ex-officio principal secretary to the government of India in the ministry of Railway. He succeeds Mr G.P. Warrier, who retired from service.

Mr Vasant J. Bhatt has been elected the president of the Electronics Industries Association for the year 1977-78.

Mr S.Y. Ranade has taken over as secretary, ministry of Shipping and Transport. He succeeds Mr M. Ramakrishnayya, who has retired. Till recently, Mr Ranade was secretary in the department of Social Welfare of ministry of Education, Culture and Social Welfare.

Mr N.G. Goray has been appointed High Commissioner for India to the United Kingdom in succession to Mr B.K. Nehru, it was officially announced and he is expected to take up his assignment shortly. In this assignment, Mr Goray will have the rank of a cabinet minister.

COMPANY AFFAIRS

Zenith Steel

Sales of Zenith Steel Pipes and Industries in the first quarter of the current year (May to July 1977) have totalled Rs 6.95 crores against Rs 6.90 crores in the same period of the previous year. The management hopes that the present rate of sales will be maintained in the remaining part of the year, and the year will be as good as 1976-77. On the whole, the current year's operating results are expected to be reasonably good.

Production of steel pipes in the first quarter of the current year has been higher at 14,700 tonnes against 13,600 tonnes in the corresponding period of the previous year. Sales of pipes totalled 13,400 tonnes against 14,400 tonnes. Exports of pipes have amounted to Rs 2.38 crores against Rs 2.82 crores. The domestic market is dull at present and the export markets have turned competitive. Market conditions are expected to improve. Supplies of steel and zinc are plentiful.

Higher Production

Production in the special steels division has also been higher at 5,600 tonnes in the first three months of the current year against 4,000 tonnes. Sales of spring steel billets have been increasing. Sales of carbon steel wire rods have also shown a satisfactory trend.

The company's application for a licence for installing a highly sophisticated rolling mill for manufacturing alloy steel products out of the billets manufactured in the special steels division is under the government's consideration. In the rolls and sheets division, some prestigious orders for very difficult items from the steel plants have been received in the current year, some of which have been completed on a priority basis.

Birla Cotton

The Birla Cotton Spinning and Weaving Mills Ltd has for the year ended March 1977, suffered a loss of Rs 1.34 crores on sales of Rs 22.40 crores against a loss of Rs 12 lakhs on sales of Rs 22.99 crores in the previous year. Equity dividend has been passed over against 10 per cent paid last year. After providing Rs 39.66 lakhs (Rs 23.89 lakhs) for depreciation and Rs 53,144 (Rs 50,870) for Malaysian income tax, there is a debit of Rs 1.74 crores which has been carried forward. The directors stated that the working of the Delhi textile unit was adversely affected by higher prices of cotton and its poor quality. The offtake of cloth was sluggish and the obligatory production of cotton cloth resulted in substantial losses.

Several steps were taken to improve the working by diversifying into the production of blended cloth, overhauling of spinning and processing machinery, rationalisation in spinning and weaving sections and installation of a second-hand boiler for meeting steam enquirements and processing of grey cloth purchased from the market. The expansion of the Kathua unit by the installation of 12,400 spindles was completed during the year. Of the ten doubling machines proposed to be installed, two were erected during the year under review, three in the current year and the remaining are expected to be received and erected shortly. Low realisation of staple yarn manufactured by the unit coupled with power cuts resulted in a loss during the year, but the results are likely to be better in the current year. The company's ginning factories could not work at full capacity due to shortage of working capital. Exports decreased to Rs 54.44 lakhs during the year from Rs 99.47 lakhs last year.

Seshasayee Paper

Seshasayee Paper and Board has reported that during the year ended March, 1977, sales were marginally higher at Rs 11.19 crores against Rs 11.04 crores in the previous year. But the gross profit has declined from Rs 3.08 crores to Rs 1.79 crores. The production decline is attributed to the decline in demand for the cultural varieties of paper and the 25 per cent power cut the company had to face for the major part of the year. Profit margins were eroded with the company having to absorb almost the entire increase in the incidence of excise on paper within the ambit of the present selling prices. The supply of 30 per cent of the production at a concessional price caused a further erosion in profits. After providing Rs 83.75 lakhs (Rs 81.22 lakhs) for depreciation, and nil (Rs 1.42 crores) for taxation the surplus is placed at Rs 96.51 lakhs against Rs 86.26 lakhs in the previous year. The 12 per cent dividend will claim Rs 63 lakhs.

Calico Mills

The chairman of Calico Mills, Mr Suhrid S. Sarabhai, has envisaged good prospects for the polyester fibre industry in the country. The company has sought the government's approval for doubling the capacity of its polyester fibre plant from the present 6,100 tonnes a year. The expansion is estimated to cost Rs 15 crores. Mr Sarabhai told the annual general meeting recently that the announcement of the government regarding the purchase of two tonnes of domestic polyester fibre against import of every one tonne by the consumer would definitely push the sales of indigenous producers. The industry has suggested to the government to ask every importer to get "no objection certificate" from the domestic producers before he proceeds for importing the fibre.

Reduced Prices

Mr Sarabhai has stated that the Bureau of Industrial Costs and Prices has recommended a price of Rs 64 to Rs 65 per kg to the government. As is known, the indigenous producers have been asked to supply their fibre at the prices to be recommended by the bureau. Meanwhile, the price of DMT, which was reduced from Rs 16 to Rs 11 per kg is likely to be reduced further by a rupee in the near future.

The company has embarked upon a huge renovation and modernisation programme costing a total of about Rs 32 crores. The company's textile division is expected to spend about Rs 12.5 crores on renovation and modernisation pro-

gramme, and the company has applied to the IDBI for a soft loan for the programme. The programme is expected to be completed in about five years. The company is expected to spend about Rs 3 crores for some balancing equipment and machinery in its polyester fibre unit.

Mettur Chemicals

Mettur Chemical and Industrial Corporation, which has suffered a sharp setback during 1976-77 largely because of power shortages, is likely to show an improvement in its performance during the current year. Its operations have picked up since July following the removal of power restrictions. Indications are that the power position would be satisfactory during the current year. Its operations during the first quarter of this year were, however, adversely affected because of the larger power cut till the end of May.

Though the markets for caustic soda continued to be extramely competitive, demand for organic chemicals was quite satisfactory. Further, exports of bleaching powder were also picking up. It was only because of severe power restrictions that the company could not derive the full benefit of 50-tonne a day caustic soda expansion during 1976-77. Its output of caustic soda was slightly lower at 36,142 tonnes against 36,981 tonnes in 1975-76. Its production of stable bleaching powder declined by 24 per cent to 4092 tonnes. Its producting of vegetable oil products declined sharply to 140 tonnes from 713 tonnes.

The company's gross turnover has declined to Rs 10.74 crores from Rs 10.96 crores in 1975-76. Its working has resulted in a substantially lower gross profit of Rs 1.36 crores against Rs 1.94 crores. The directors have, however, proposed to maintain the dividend of 10 per cent.

Rohit Pulp

Rohit Pulp and Paper Mills is reported to be working fairly well this year. The output of 2,248 tonnes in the first four months of the year is considered quite satisfactory by the chairman, Mr J.M. Patel who is hopeful of improved results for the current year. The annual turnover after the commencement of the duplex board plant is expected to show a marked increase. The chairman, however, foresaw a problem of mobilising additional raw material resources, namely rice straw and waste paper in the times to come. Since a number of paper factories have been sanctioned in Gujarat and Maharashtra, the company is compelled to explore new avenues raw materials as well as development of substitute materials.

Nirlon Synthetic

The chairman of Nirlon Synthetic Fibres and Chemicals, Mr Jaykrishna Harivallabhdas, in a statement to the shareholders, has pointed out that the gloomy picture seen during 1976-77 seems to be gradually disappearing. The price trend has slightly improved. The recent announcement about investment allowance will significantly reduce the tax burden on account of heavy capital expenditure involved on expansion, diversification and modernisation projects which will be implemented in the current year. The management looks forward to better results due to rationalisation in operation costs.

The erection work of con-

High-Powered Expert Committee for Reviewing Companies Act, 1956 and MRTP Act, 1969.

The Govt. of India has constituted a 11-member High-Powered Expert Committee under the chairmanship of Justice Shri Rajindar Sachar of the Delhi High Court and consisting of three Members of Parliament and representatives from the legal and other professions, Industry and Labour for undertaking a comprehensive review of the provisions of the Companies Act, 1956 and the Monopolies & Restrictive Trade Practices Act, 1969 and to consider and report on the changes necessary in the two enactments so as to simplify them and make them more effective, wherever necessary, and also to remove the obscurities and lacunae which have been noticed in the provisions of the two Acts. The Committee has been requested to consider and report *inter-alia* on—

(a) Classification and formation of companies and the constitution of Board of Directors with special referencc to protection of the interests of the shareholders who are in a minority;

(b) Exercise of managerial powers and protection of shareholders and creditors interests and their relations, *inter se*;

(c) Measures by which workers' participation in the share capital and management of companies could be brought about;

(d) Provisions which are required to be made to prevent mismanagement, with special reference to safeguarding of company's own interest and the public interest;

(e) Measures necessary to promote professionalisation of management and regulation of managerial and executive remuneration commensurate with their responsibilities;

(f) Measures by which reorientation of managerial outlook in the corporate sector could be brought about so as to ensure the discharge of social responsibilities by companies;

(g) Changes required to be made in the Companies Act, 1956, to streamline the winding up procedures so as to expedite the realisation and distribution of assets to the creditors and contributories;

(h) Whether it is desirable to enact special provisions applicable to the Government companies as a class so as to exclude the provision of the Companies Act, 1956 generally in their applicability to such companies;

(i) What adaptations and modifications are necessary in the provisions of the Companies Act, 1956 in their application to entrepreneurs in medium and small scale sectors carrying on business as joint stock companies;

(j) What further changes are required to be made in the Companies Act, 1956 regarding the establishment of places of business and operation of foreign companies in India;

(k) What improvements, if any, are required to be made in the present administrative structure and procedures regarding the enforcement of the provisions of the Companies Act, 1956 and the Monopolies and Restrictive Trade Practices Act, 1956;

(l) What changes are required to be made in the Monopolies and Restrictive Trade Practices Act, 1969 in the light of the experience gained in the administration and operation of the said Act; and

(m) Any other matter incidental or ancillary to the administration the Companies Act, 1956 and Monopolies and Restrictive Trade Practices Act, 1969, having regard to the growth and development of trade, commerce and Industry.

The members of the public and others interested in the subject are requested to forward 15 copies if convenient, of their suggestions, any, on matters coming withing the scope of the Committee's terms reference, to the Member-Secretary, High-Powered Expert Committee, C Department of Company Affairs, Shastri Bhavan, New Delhi-110001, so to reach him not later than the 6th October, 1977.

(K.K. Ray
Member-Secretary
Secretary to the Govt. of India
Deptt. of Company Affairs
Ministry of Law Justice & Company Affairs

New Delhi
Dt: 31st Aug., 1977.

davp 596(2)/7

eyor belting plant at Roha is oing almost according to lans. The total capital out- y on this project is placed at ts 8 crores. The project is ex- ected to go into production in he first quarter of next year. he company proposes to nanufacture conveyor belts of oth conventional and synthe- ic varieties for steel plants, oal mines and other industrial rojects. There is still consi- erable shortage of this pro- uct and large quantities are eing imported. The annual rnover after the plant goes nto normal production will be round Rs 10 crores. As a esult of modernisation pro- ramme undertaken in the urrent year, the company opes to achieve a significant ncrease in the yarn production n the current year.

Gillanders Arbuthnot

Gillanders Arbuthnot and Co has declared an cquity ividend of 15 per cent for the ear ended March 1977. esides, the shareholders have een offered a bonus issue in he ratio of one new share for very two shares held. Three ormer subsidiary companies, he Betjan Tea Co Ltd, Gairkhata Tea Co Ltd and live Buildings (Calcutta) Ltd, ere amalgamated with the ompany with effect from pril 1, 1976. The company as earned a pre-tax profit of s 80.67 lakhs on a turnover f Rs 6.44 crores during the ear ended March, 1977 gainst Rs 41.21 lakhs on the rnover of Rs 4 crores in the revious year. After providing s 39.54 lakhs (Rs 14.89 khs) for taxation and after aking some adjustments, the sposable surplus is Rs 40.93 khs (Rs 26.56 lakhs). Equity d preference dividends will sorb Rs 13.69 lakhs s 9.64 lakhs). General reserve gets Rs 26.45 lakhs (Rs 16.92 lakhs).

A substantial portion of the year's profits are attributable to the three tea divisions. The working of these divisions in the current year has continued to be satisfactory although some damage to the crop in two of the gardens was caused by hailstorms early this year. The performance of other divisions has been generally satisfactory.

Mohan Meakin

Mohan Meakin Breweries has recorded improved results for the year ended March 1977. Sales have risen by 23.5 per cent to Rs 42.10 crores from Rs 34.04 crores. The gross profit too has risen to Rs 3.92 crores from Rs 2.18 crores. After providing Rs 74.59 lakhs (Rs 76.11 lakhs) for depreciation and Rs 89.75 lakhs (Rs 95 lakhs) for taxation, there is a surplus of Rs 27.87 lakhs against Rs 47.24 lakhs. Equity dividend, which has been raised to 14 per cent from 12 per cent will absorb Rs 59.56 lakhs against Rs 51.05 lakhs.

Mahindra Ugine Steel

The board of directors of Mahindra Ugine Steel Company Limited has recommended dividend of 14 per cent, subject to deduction of tax at source, for the year 1976. Sales for the year amounted to Rs 1,686 lakhs as against Rs 1,376 lakhs during the preceding year. Production of alloy and special steel ingots in the steel melting shop increased by 32 per cent from 29,015 tonnes to 38,469 tonnes. The melting shop would have registerd a still higher level of performance but for the imposition of increased power cut by Maharashtra State Electricity Board from November 1, 1976. Production of finished steel also registered an increase of 23 per cent compared with the previous year. Higher output of finished steel from rolling mill was partly due to utilisation of surplus capacity through conversion of bought-out blooms.

Increased Profit

The profit for the year before taxation amounted to Rs 239.21 lakhs as against Rs 223.42 lakhs in the preceding year after providing Rs 68.42 lakhs for depreciation as against Rs 65.22 lakhs during the previous year. Provision for taxation for the year amounted to Rs 86 lakhs and after transfer to investment allowance reserve Rs 15.50 lakhs, leaves a net profit of Rs 137.71 lakhs as against Rs 96.92 lakhs last year. After providing for prior years' adjustments, the total amount available for appropriation works out to Rs 195.16 lakhs. Proposed dividend payments of 14 per cent on the equity capital of Rs 377.50 lakhs and 9.3 per cent on cumulative redeemable preference shares will absorb Rs 57.50 lakhs. The directors have decided to transfer Rs 8.76 lakhs to a special reserve in compliance with Section 205(2A) of the Companies Act. After transferring a sum of Rs 67.46 lakhs to general reserve, the balance of Rs 61.45 lakhs remains to the credit of profit and loss account.

Construction work at site for creation of additional facilities to increase the capacity of the plant from 24,000 tonnes to a rated capacity of 60,000 tonnes of finished alloy steel gathered considerable momentum after the monsoon of 1976. Expansion of steel melting shop, heat treatment and finishing shop and shipping shop buildings and construction of the conditioning shop are nearing completion. Part of the blooming mill building has been erected. Bulk of the equipment ordered for the expansion scheme have either been received at site or are ready for shipment. In view of the emphasis placed by the company on perfection of quality control measures in the plant and its specialisation in sophisticated grades of high alloy steel, demand for commany's products continues to be fairly satisfactory.

News and Notes

Bharat Nidhi has raised equity dividend to five per cent for the year ended March 1977 from four per cent in the previous year, though its gross profit is marginally lower at Rs 17.50 lakhs against Rs 17.65 lakhs. After providing Rs 6.70 lakhs (Rs 8.85 lakhs) for taxation, there is a higher surplus of Rs 10.80 lakhs against Rs 8.79 lakhs.

Sahu Jain Ltd has reported a substantially higher gross profit of Rs 3.29 lakhs for the year ended March 1977 against Rs 1.47 lakhs in the previous year. After providing Rs 19,925 (Rs 29,674) for depreciation and Rs 1.30 lakhs (Rs 45,000) for taxation, there is a net profit of Rs 1.79 lakhs against Rs 82,160. Equity dividend has been maintained at six per cent.

Capital and Bonus Issues

Consent has been granted to the following companies to raise the capital of Rs 402 million. The details are as follows:

Bombay Latex and Dispensions Pvt Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 211,500 out of its general reserve and

issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

The Milton Cycle Industries Ltd, has been accorded consent, valid for six months, to capitalise Rs 1,400,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

Consolidated Pneumatic Tool Company (India) Ltd, Bombay, has been accorded consent valid for six months to capitalise Rs 3,580,000 out of its share premium account and general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for three equity shares held.

Indian Explosives Limited, has been accorded consent, valid for six months to capitalise Rs 71,606,670 out of its general reserve/special reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Gujarat Narmada Valley Fertilizers Co Ltd, Baroda, has been accorded consent, valid for 18 months to issue equity capital of Rs 275.4 million to meet a part of finance for setting up a plant in Broach district to manufacture ammonia and urea.

The above consent is in supersession of the letter of acknowledgement issued on January 21, 1977 for the issue of capital of Rs 22.95 crores.

Mikros Milling Private Limited, Poona, has been accorded consent valid for six months, to capitalise Rs 30,000 out of its general reserve and issue 300 fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Khosla Engineering Private Limited, Poona, has been accorded consent valid for six months, to capitalise Rs 200,000 out of its general reserve and issue 2000 fully paid equity shares of Rs 100 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

Shri Arbuda Mills Limited, Ahmedabad, has been accorded consent valid for six months, to capitalise Rs 700,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every nine equity shares held.

Devon Machine Private Limited, Bangalore, has been accorded consent valid for six months to capitalise Rs 150,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares.

Woolcombers of India Ltd, Calcutta, has been accorded consent valid for six months to capitalise Rs 5,039,240 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of two bonus shares for five equity shares held.

Emco Transformers Ltd, Bombay, have been accorded consent, valid for six months, to capitalise Rs 1,488,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for two equity shares held.

Vakil and Sons Ltd, Bombay, have been accorded consent, valid for six months, to capitalise Rs 1,000,000 out of its general reserve/share premium account and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Economic Development Corporation of Goa, Daman & Diu, have been accorded consent, valid for 18 months, to the issue of bonds of Rs 10 million (10,000 bonds of Rs 1,000 each) at Rs 98.50 per cent to the public by a prospectus.

The Pondicherry Papers Ltd, Pondicherry, has communicated to government of its proposal to issue capital under Clause (5) of the Capital Issues (Exemption) Order, 1969, worth Rs 1.10 crores divided into 1,10 million equity shares of Rs 10 each, inclusive of the issued and subscribed equity capital of Rs 55 lakhs, for cash at par, to provide a part of the finance required for implementing a paper project to be set up at Pilliarkuppam, Pondicherry.

Indian Oxygen Limited, have been accorded consent, valid for six months, to capitalise Rs 20,533,330 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Metro Exporters (Pvt) Ltd, have been rejected permission for issue of bonus shares of Rs 24,75,000.

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Role of Business in Rural Development

There is a greater need for managerial skills in Rural Development in preference to financial aid.

By Shri Viren J. Shah, M.P., Chairman & Managing Director, Mukand Iron & Steel Works Ltd.

Real India lives in the villages (as Mahatma Gandhi used to say) and the key to our economic development must be found there. In the early post-Independence period, the industrial urban civilization of the West had an almost strangulating hold on our ideas of economic development and rural development was relegated to the background.

Shifting Priority

The urban-oriented planning has reached a dead-end, and we have begun to realise it. In his first press conference after assuming office, Prime Minister Shri Morarji Desai declared "What can be produced without heavy industry and produced well with less capital must be done by small and cottage industries". The Janata Party and Government have made a whole-hearted and uninhibited proclamation of a fundamental shift in economic priorities in favour of rural development—a great landmark in the reorientation of our economic philosophy. In the implementation of this new economic policy, the first salvo was fired by the Union Finance Minister Shri H. M. Patel, when in the Union Budget presented in June last he proposed a marked step-up in the allocation for rural development programmes.

At the same time it is as well to remember that a larger financial allocation would not in itself be all that is needed. Shri H. M. Patel in the course of his Budget Speech said.

"The provision of more resources, however vital, will not alone achieve the objective. The entire apparatus for utilising these resources will have to be completely revamped in order to improve their effectiveness. It will require change in the organisation for both planning and implementation. It will need more intensive effort at improving agricultural technology and much greater extension effort. It will need speedier construction of dams, wells, channels, faster and efficient rural electrification, better water and land management, more timely supply of fertilisers and pesticides, a more organised supply of seeds and better storage and marketing facilities. The effort needed would call for a **total transformation of the agencies which are presently connected with agricultural development**" (Emphasis added). Of course, the principal responsibility for bringing about such a condition would lie squarely on the shoulders of the Government, but a deep involvement of legislators, men in public life and those who mould public opinion, is an indispensable condition for the success of the programme.

Non-Official Agency

Even the best efforts of the Government will need to be supplemented by non-official efforts. Independent individuals and agencies will be able to bring to bear upon their treatment of situations, a kind of rapport, human touch and flexibility which no governmental agencies can match. There could be three kinds of agencies to undertake developmental activities on a non-official basis: (a) individuals acting entirely on their own, (b) institutions like Ramakrishna Mission Ashrams and Shri Sadguru Seva Sangh Trust of Mafatlal, and (c) Business House devoting part of their resources to rural development activities on a permanent basis. I would elaborate on my ideas as to how Business Houses could play a useful role in rural development.

At least, its enlightened self-interest is a sufficient reason for the business community to be involved in the promotion of rural development. It has also a moral responsibility:—"Large industries have reduced manpower requirements in producing goods which can be made by small-scale industries. One textile mill worker produces at least 12 times as much as a handloom weaver. If cloth had been a handloom industry, instead of having just nine lakh textile workers we would have had at least 84 lakh workers in the industry". — Shri Charan Singh, Union Home Minister.

Management Input

While Business would be expected to make financial outlays, the most positive contribution it can make to rural development is to deploy for the purpose its greatest asset: Its pool of management skills, Rural India has plenty of manpower and natural resources what it lacks is the management input, and who other could supply this missing input than Modern Business.

An underlying consideration behind any assistance to rural areas has to be that when, in due course, the external assistance is withdrawn the assisted villages should be able to stand on their own legs. The role of the external agency should be only catalytic and as minimal as possible.

The financial/material input should be commensurate with the expected yield from the assisted area. This will

(a) help the loaning agencies to recover the loans,

(b) make the assisted truly self-reliant, and

(c) provide incentive — the more one begets the more one gets

The activities are to be so organised that they are capable of being replicated in other villages in the country.

Financing

The pattern of sources of finance for rural development can be visualised as under:—

(a) Provision of infrastructure should be, as it is now, financed by State;

(b) Fixed and working capital should be provided in the form of a loan, repayable with interest, in easy instalments.

(c) The Business House would incur expenditure on various overheads of its activities, which should be regarded as its financial contribution.

Activity

Each agency can choose from among an infinite variety of programmes that are available. Nevertheless, modalities can be suggested:

(a) Agriculture.

(b) Agro-based and allied industries like animal husbandry, dairy, poultry, piggery and pisciculture.

(c) Crafts or manufacturing activities.

(d) Education, health, public hygiene, housing, environment, etc.

The activity should preferably be chalked out in coordination with the official development programmes, with utmost regard to the susceptibilities of the different groups and factions that constitute the village and the continuous consultations with local leaders, Members of Parliament and Legislative Assemblies and local officials.

Rural Industries

Out of the four broad categories of activities referred to above, important as the others are, I will touch in this statement only upon crafts and manufacturing. Of the problems faced by a small artisan, craftsman or petty manufacturer marketing is the most difficult and external assistance is very much needed in this area.

One is reminded here of the example of the Shroof family which has helped the rehabilitation of three hundred odd

rtisan families of Kutch engaged in the traditional craft f embroidery, when these milies were starving and their xquisite craftsmanship was apidly dying.

Marketing was identified as he crux of the problem, and he Shroof family took up the esponsibility for the sales of he embroidery product and set p a sales net work successfully. uch an approach has a tremendous potential. If the narketing of manufactures in ural area could be undertaken y small and big business enerprises of cities, millions of amilies throughout the rural ndia can be saved from staration and penury.

ymbiosis

Rural industrialisation can be romoted by encouragement rom urban industries to the illagers to set up ancillary ndustries. The urban industries will thereby not only be elping rural industrialisation ut will also benefit from a ower cost for their bought-out omponents.

An interesting variant of this pproach is advocated by Shri rvind Mafatlal for the textile ndustry. A city based textile ill would concentrate on pinning yarn and give its yarn o a colony of rural weavers, he colony consisting of simple wo-room houses each with wo power looms, owned by ach weaver family through ank loans. The mill would rovide the yarn, detailed instructions and on-the-spot technical supervision, and make ayment to the family for the onversion against delivery of he cloth on daily or weekly asis. Appropriate deductions ould be made from the payents for servicing the loans. he scheme will ensure a regur income to the weaver family hich has not to worry about aw material, working capital r marketing.

With the repayment of the ank loan in a few years, the mily becomes the real owner f the house and the looms. xperience has shown that the eaver's income from this type f arrangement is larger than what he would have earned in the city mill. The spinning mill in the city also benefits from a lower cost of production and absence of labour problems in the weaving department. In the event of a large-scale adoption of this idea by the textile industry, the problems of congestion and pollution in cities can be reduced considerably.

The textile industry example can be an eye-opener for the vast possibilities that exist for promotion of rural industrialisation.

Feedback

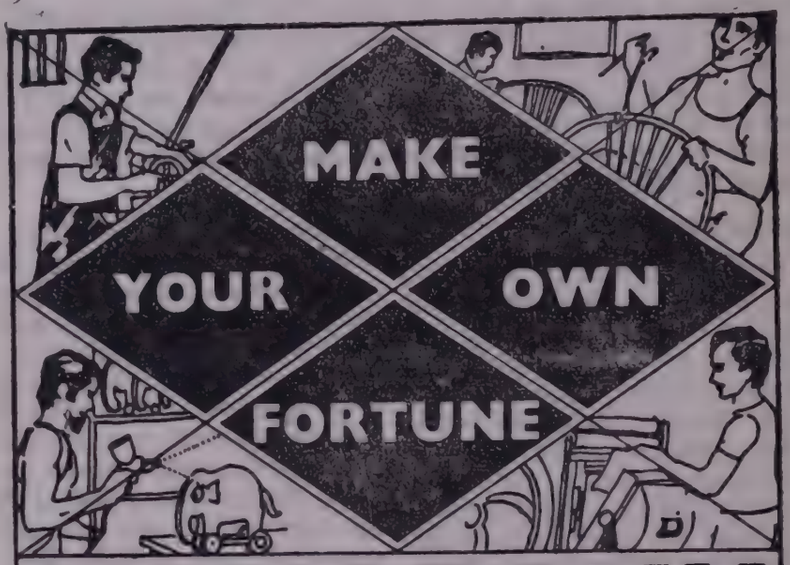
The Agricultural Finance Corporation had recently organised a national seminar at Ranchi on rural development, which was attended by over forty representatives from industry and business and representatives from Government, Banks and voluntary organisations. This suggests to my mind a further possibility of the Corporation providing a permanent Forum for systematic exchange of information for the benefit of all participants in the development programmes and co-ordination of work so that the benefit of valuable lessons being learnt by the grassroots level workers might be shared on a continuing basis by all concerned.

Conclusion

As a renowned Gandhian economist had said, there has to be a conscious and determined shift of emphasis from goods to people. Eighty per cent of our people live in villages, and their socio economic condition is the only true barometer of the country's progress. Rural development in its manifold aspects should even at this late stage have a prior claim on our attention so that the socio-economic chasms now separating the people of this country may be narrowed.

I have, in the foregoing paragraphs, attempted to share my thoughts about the role the industrial and business community can play by tackling what is but a fringe of the vast issue of rural development. This is only an outline of approach and the details and methods for implementation will have to be evolved.

(This is an abridged version of the Chairman's statement by Shri Viren J. Shah, M.P. to shareholders of Mukand Iron & Steel Works Ltd. along with the Annual Report of the Company for the year ended 31st March, 1977.)



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India Steamship Co. Limited

Excerpts from the address of Mr K. K. Birla, Chairman, India Steamship Co. Limited, delivered at the Annual General Meeting of the Company held on 6th September, 1977.

Gentlemen,

I have great pleasure in welcoming you all to the 49th Annual General Meeting of your Company.

At the outset, I would like to place on record our deep sense of sorrow at the untimely passing away of Shri J.N. Bhan.

The Directors' Report and the Audited Accounts of the Company for the year ended 31st March, 1977, have been with you for some time now and with your permission I shall take them as read.

The unprecedented and all pervasive depression through which the world shipping industry has been passing since early 1975, on which I had the occasion to deliberate at considerable length earlier, has continued unabated throughout 1976 without any sign of improvement. In fact, even the most pessimistic predictions about the end of the present predicaments of shipping industry have so far failed. Meanwhile, the world shipping industry was desperately in search of an equilibrium between the supply of and demand for shipping tonnages by resorting to all available means *i.e.* large-scale laying up, scrapping of existing tonnage, slow steaming and the cancellation of orders for new tonnage.

With the International Freight Market continuing to be depressed at such an uneconomic level, the Shipowners were in a quandary as to whether it would be more economical to ply the ships for the sake of keeping them employed or laying them up. It is not surprising, therefore, that the world tonnage of the laid up dry cargo is again on the increase. Indeed, the latest figures issued by the General Council of British Shipping showed at the end of June, 1977 that unemployed dry cargo tonnage stood at 6,421,000 DWT representing a rise of 889,000 DWT since January, 1977—the highest figure for 12 months.

The Shipping Industry will most probably have to live with



Mr K. K. Birla

the present adversity for a much longer period than it had bargained for owing to only marginal improvements in the economic recovery and growth in the major industrialised countries.

Additions to the world fleet, by subsidies and other forms of incentives will only prolong the agony and in the meantime will make a bad situation still worse.

One manifestation of this situation has been on the prices of ships, particularly of second hand tonnages, which are declining due to depressed Freight Market/non employment and the prospective buyers who had the means, took advantage of this situation. However, in spite of falling prices, independent buyers of tonnage are becoming scarce and the activity in the second hand Sale/Purchase market is slowly but steadily grinding to a halt with concern at the state of the Freight Market.

The pace of an overall economic development in our country has slightly slowed down during the year despite the spectacular improvements witnessed in certain segments of the economy. The Gross National Product (GNP) is estimated to have increased by only 2 per cent during 1976-77 as against 8.5 per cent during the earlier year, mainly as a result of a decline of about 6 per cent in agricultural production. Industrial production, increased by 10 per cent—thus setting up a record in the last 10 years. However, the shortage of power continues to be acute and this leads to speculation as to whether or not the rate of industrial growth achieved during 1976-77 could be sustained. As a result of pursuing an intensive export oriented policy, the value of our exports increased to Rs 4,980 Crores (*i.e.* by 23 per cent) while that of imports declined by about 7 per cent to Rs 4,908 Crores, mainly due to lesser imports of foodgrains and fertilizers. Accordingly, it was possible to achieve a trade surplus of Rs 72 Crores in 1976-77 compared with a deficit of Rs 1,222 Crores during 1975-76.

Our Foreign Exchange reserves sharply increased by Rs 1,371 Crores to Rs 2,863 Crores due mainly to increased inward remittances from abroad as a result of certain concessions granted in respect of such remittances.

Prices rose by 11.6 per cent during the year under review and continue to rise almost at similar rate due to the re-emergence of substantial imbalance between aggregate demand and supply.

The monsoons during the current year have so far been extremely good and we are also holding a record buffer stock of foodgrains. This is causing some problems particularly with regard to storage and India is reportedly trying to export some foodgrains for the first time in recent memory.

Labour unrest seems to be on the increase. Although the threatened strike of All India Dock Workers' could be happily averted, due to timely intervention by the Central Government, the same measure of success could not be achieved in respect of the wild-cat strike that are being resorted to by various categories of Port and Dock workers at regional levels. This has affected the productivity quite adversely and has brought down the output by more than 33 per cent. This will naturally affect the prospects of the Indian Shipping Industry, unless some urgent remedial steps are taken.

The Government of India's decision to restore the payment of minimum bonus to workers in respect of losing concerns would be harmful to the economy. If a large number of industries and/or units which are already sick are made to suffer more losses it is bound to impede the industrial progress of the country.

Despite the prevailing depressed state of tramp markets coupled with the rise in operating costs, both of which have had an adverse impact on almost all the shipping companies by way of dwindled earning capacity and profitability, the Indian shipping industry has shown remarkable vitality and strength. It is indeed creditable that none of the Indian ships was laid up during the period under review in spite of all the odds against them.

Because of the prolonged depression in World Shipping Industry and the emergence of smaller Companies, having

during 1975-76. Besides, the congestion at Black Sea and Egyptian Ports, the very low level of productivity in most of the U.K. Ports and the increased ballasting in search of cargoes have all adversely affected the profitability. The resultant effect has been a further drop in the rate of *per diem* earnings of a ship by another Rs 3,700 from Rs 44,308 during 1975-76 to Rs 40,617 during 1976-77.

Due to the strict control exercised by the Management over the various items of expenditure, it was fortunately possible for the Company to achieve a marginal reduction in the *per diem* expenditure per ship (before charging interest on loans and depreciation) despite the very strong inflationary pressures witnessed all over the world. In spite of this, the net effect was a decline in the rate of profitability by Rs 3,417 per day as indicated below:

	IN RUPEES		
	1974-75	1975-76	1976-77
Rate of earnings per ship per day	48,071	44,308	40,617
Rate of expenses per ship per day (excluding depreciation and interest on loans)	30,021	31,723	31,449
Margin of operating profit per ship per day	18,050	12,585	9,168

The expansion of fleet, financed mainly by raising loans from foreign banks, against guarantees of nationalised Indian banks has resulted in an additional expenditure by way of interests and other financing costs. Besides larger sums were required to be written off by way of depreciation on the increased value of fleet.

Reverting to the Indian Shipping scene, it is encouraging to note that the share of Indian shipping companies in the transport of national cargoes that moved in the overseas trade increased during 1975-76 to 35.6% from 28% during the earlier year. This was mostly as a result of the increase in the carriage of Oil cargoes from 33.4% to 58.7%.

Indian shipping's share in the carriage of general cargoes has in fact come down to 33.2% from 44.4%. There has been a slight improvement in the carriage of dry bulk cargoes. These figures are indicative of the direction in which the Indian shipping must expand in the course of the next few years with a view to achieving the avowed objective of carrying 50% of the national overseas trades in national bottoms.

The Fifth Plan tonnage target was finally scaled down to 6.5 million GRT with another half a million GRT on order. Against this target, the Indian fleet has crossed the 5 million mark and stood at 5.25 million GRT as at the end of June, 1977. With further 0.74 million GRT on order in India and abroad, and allowing for an expected scrapping of 3.6 lakhs GRT, only about another 7 lakhs GRT remain to be acquired during the remaining period of the Plan. This is not a formidable task and in all likelihood it would be achieved.

Despite the gloom which is evident in all the aspects of shipping, this is an opportune time for acquiring additional tonnage because of price consideration. One must welcome in this context the decision of the Government of India to offer through the agency of SDFC, foreign exchange loans to the tune of Rs 500 Crores for acquiring tonnages over the next two years period ending with the fifth Plan (1978-79). These loans are offered on 10-year repayment terms, with a two year moratorium, at an by the loanees at 7.5 per cent per annum. Thie decision would indeed offer a favourable opportunity to the Indian shipowners to go in for further acquisitions from abroad, thus filling in the small gap in attaining the reduced fifth Plan target of 6.5 million tonnes gross (with another half a million tonnes on order) with hopes even to exceed it in line with our performance during the previous plan periods.

However, it would go a long way in achieving these objectives if the government could sympathetically consider certain relaxation in the terms of the foreign exchange loans so as to be in tune with the SDFC rupee loan scheme under which long terms loans of over 16-17 years are being made available at 4.5 per cent rate of interest with a 1-2 year moratorium and also taking into account the constraints on the earning capacity and the profitability of the shipping companies in the prevailing depressed market. Furthermore, no moratorium is presently available on the payment of interest which becomes due immediately after the loan is received. In view of the fact the payment of interest is heavier than even the instalments during the initial years of repayment of loans, I would earnestly request the Government to consider a two year moratorium on both principal and interest on foreign exchange loans.

I would also recall that prior to 1971 the total period of repayment was 18 years in the case of loans granted for building ships abroad and 19 years in respect of loans given for ships constructed in the Indian yards. These were subsequently reduced to a maximum of 17 years in view of the improved financial standing of the Shipping Industry in India due to better profitability and cash-flow position. However, the situation has since completely changed and a number of shipping companies including the bigger ones are reportedly finding it increasingly difficult to repay their instalments of loans and it is in this context that I would earnestly appeal to the

review of the entire situation and if possible to grant extended period of repayments for all loans including rupee loans.

It is heartening to note that the Union Finance Minister has extended the benefit of investment allowance to a wider section of industries and in certain cases increased the existing rate of 25 per cent to 35 per cent with a view to accelerating the pace of industrial growth thus giving an impetus to economic development. However, the Government seems to have overlooked the special need of the shipping industry, which perhaps because of its capital intensive nature (which has intensified further in recent years) had always received a preferential treatment by way of additional development rebates. I must therefore renew my request to the Finance Minister to raise the rate of Investment Allowance to 40 per cent in the case of shipping industry on the analogy of the Development Rebate. In fact the need for according a preferential treatment to shipping industry was never so great as at the present moment because of the prolonged period of stresses and strains through which this industry has been passing.

I had on an earlier occasion suggested that the Government of India should review the *pari-passu* clause whereby the Indian shipowners were required to place order on Indian Shipyards for the construction of equivalent tonnage for every ship acquired from abroad. I am extremely happy to note that Government has since reviewed the matter and introduced certain welcome relaxation to the scheme whereby:

(a) the *pari-passu* clause would not attract the acquisition of certain specialised types of ships and vessels of a significantly higher DWT than 75,000 DWT,

(b) in case of second hand acquisition *pari-passu* requirement will be limited to the value of the ship acquired instead of the tonnage, and

(c) total exemption of newer and small companies from the *pari-passu* clause was granted till their tonnage exceed 50,000 DWT or they complete five years of operation. While this would no doubt go a long way in accelerating the tempo of acquiring modern sophisticated ships and also second hand ships from abroad, a closer look into the necessity of strictly enforcing the *pari-passu* clause, even in its modified form, may still be necessary in view of the limited building capacity of our yards and the need for a faster growth of national shipping.

Persisting depression in the world freight market has led to unhealthy competition and unfair practices which were hitherto unheard of in the shipping industry. A section of Indian shippers are reported to have often fallen prey in the hands of unscrupulous shipowners; it has come to light that at least some of the Indian shippers could be sufficiently allured to ship their exports by specific vessels only to eventually find to their dismay that the cargoes have not reached the destination or have already been sold to parties totally unconnected with the shipments. According to some estimates, goods worth over Rs 25 Crores might already have been totally lost or affected. Apart from tarnishing the good image of the country, this has caused a drainage on our foreign exchange resources and recurrence of such undesirable practices might even mean the loss of export markets. While the governmental machineries are being tightened to prevent the recurrence of similar incidents, it is incumbent on our shippers and their organisations to evolve a suitable procedure whereby the shippers could be persuaded to verify the bonafides of shipping companies before engaging them for transportation of their cargoes. This, to my mind, is an absolute necessity for avoiding similar unfortunate experiences in the future.

As a result of improved political relations between the Government of India and the Peoples Republic of China, there has been some relaxation in the field of shipping between the two countries. This is a very welcome development, as according to some thinking, full scale revival of trade between these two great countries might provide the necessary potential for a break-through in the present depressed state of shipping.

Should two million tons of foodgrains be exported to Soviet Union, on which negotiations are being carried, it will assist the Indian shipping in finding employment at this crucial juncture.

I am glad to report that pursuing a programme of expansion your Company has acquired during the year two more second hand Freedom Type Cargo Liner vessels of about 15,000 DWT each, bringing the total of this type of ships in the fleet to five. Besides, the "INDIAN EXPLORER" which was launched in November 1976 has since been taken delivery of on 30th October, 1976 from the Hindustan Shipyard. Consequently, the Company's fleet strength as on 31st March, 1977 has gone up to 25 aggregating to 2.35 lakhs GRT or 3.35 lakhs DWT. The rate of growth in the course of the last four years has been 66 per cent in terms of GRT and 78 per cent in terms of DWT—which, by any standard, is to be considered as satisfactory.

The two Pioneer Class ships (about 21,500 DWT each) ordered on the Hindustan Shipyard have since been launched and are expected to be delivered during 1978.

The Company has placed an order with M.H.I. Japan for construction of one multipurpose cargo vessel of about 20,000 DWT which is expected to be delivered during mid 1978.

The Company has also signed contracts with the Garden Reach Shipbuilders, Calcutta for the construction of two Bulk Carriers of 26,000 DWT each and has also exercised an option for the construction of a third ship of a similar type with the same yard.

Note : (*This does not purport to be record of the proceedings of the Annual General Meeting*).

Announcement

M/s. Saurabh Pustak Bhandar, Ahmedabad, have been appointed as one of our Subscription Agents.

Necessary enquiries may please be made to:-

Saurabh Pustak Bhandar

615, Relief Road,
First Floor,
Near Calicodome,
AHMEDABAD-380 001
Phone No. 31230

Engineering goods: pace-setter to exports in 1976-77

RECORDS AND STATISTICS

In the year ended March 31, 1977 the value of exports, inclusive of re-exports, crossed the Rs 5,000-crore mark, showing a rise of more than 27 per cent over the year. Among the top contributors to export earnings and export growth were engineering goods, handicrafts and tea. India's major trading partners increased their imports substantially.

INDIA'S EXPORT trade in 1976-77 (April-March) totalled Rs 49,810 million as compared to Rs 40,367.70 million in 1975-76. Inclusive of re-exports, the export value was Rs 50,893.50 million and Rs 40,328 million in these years. The topmost foreign exchange earner turned out to be the engineering goods sector which contributed as much as Rs 5544.30 million in contrast to Rs 4130 million in these years respectively. The group of handicrafts constituted the next best line of supply having realised Rs 4,024 million as against Rs 2520 million. Tea, the traditionally leading export item, figured next at about Rs 2,929 million compared to Rs 2369 million. Textile fabrics, iron and steel products, leather and leather manufactures, iron ore, oilcakes, mill-made cotton piece-goods, jute manufactures, fruits and vegetables, sugar, coffee and chemicals were the other important foreign exchange earners during 1976-77.

Engineering Group

In the engineering group, metal manufactures contributed the most at about Rs 1564 million in 1976-77 in contrast to Rs 958 million in the year before. Non-electrical machinery fetched Rs 1184 million against Rs 1085 million. Export value of electrical machinery, apparatus and appliances also improved to Rs 829 million from Rs 643 million. Transport equipment secured more foreign exchange at Rs 928.50 million compared to Rs 835.40 million. Other engineering goods also witnessed spurt at a level of Rs 1040 million against Rs 608 million.

Handicrafts Sector

In the handicraft sector which has registered considerable expansion of exports, the group of pearls, precious and semi-precious stones was particularly active and it secured Rs 2424 million in contrast to Rs 1485 million. Hand-made carpets and druggets netted Rs 679 million against Rs 417 million. Similarly, metal artware, hand-printed textiles, wood ware, jewellery and other handicrafts have all uniformly fared better during 1976-77 compared to the previous year.

Tea exports registered uptrend alike in terms of quantity and value realisation. The exports were of the order of Rs 2929 million (243.2 million kg) as compared to Rs 2369 million (212.4 million kg). Coffee exports were also stepped up substantially to Rs 1141 million from over Rs 666 million. The unit value realisation improved as the quantity of export declined from 59,400 tonnes to 47,500 tonnes.

While the over-all group of textile fabrics and manufactures excluding coir and jute recorded substantial improvement in export trade to reach the mark of Rs 6856 million during 1976-77 as compared to Rs 4128 million in the preceding year, textile fabrics alone fatched more at Rs 2926 million against Rs 1855 million. Additionally mill-made cotton piece-goods were exported to the tune of Rs 2008 million (562 million metres in contrast to 423 million metres) from Rs 1216 million. Handloom fabrics including piece-goods, fabrics of art silk and spun glass also registered improvement at Rs 614 million against Rs 473 million. Equally active was the overseas supply of fabrics, cotton yarn, cotton apparel and hosiery and machine made carpets.

Jute Manufactures

Jute manufactures which for long constituted the prime foreign exchange earner for India, has receded to background; in fact its export realisation dwindled to Rs 2008 million in 1976-77 as compared to Rs 2509 million in the previous year. In terms of quantum, there was a decline in the off-take from 522,000 tonnes to 456,000 tonnes. Exports of coir and manufactures however looked up at Rs 240 million (44,600 tonnes) compared to Rs 190 million (36,000 tonnes).

Iron and steel exports have witnessed an unusual upswing in 1976-77 with their export earnings approximately Rs 2830 million while in the previous year they were of the order of Rs 680 million.

Leather and Leather Goods

The group of leather and leather manufactures registered increase to about Rs 2931 million from Rs 2230 million. Exclusive of footwear, the export business in this sector aggregated to Rs 2635 million compared to Rs 2015 million of which the contribution of finished leather alone was Rs 1050 million compared to Rs 549.5 million and chrome tanned Rs 727 million compared to Rs 613 million. In line with the policy of the government of India, the export realisation of EI tanned hides and skins declined to Rs 643 million from Rs 731 million. In terms of quantity, the exports of these three catagories amounted to 12.8 million kg against 7.1 million kg for finished leather, 14 million kg against 15.7 million kg for chrome tanned and 11.6 million kg against 16 million kg for EI tanned hides and skins. Additionally export trade of footwear made of leather and canvas improved and fetched Rs 280 million in contrast to Rs 213 million.

The group of ores, minerals and scrap together recorded export expansion to the tune of Rs 3394 million from Rs 2963 million. Iron ore sup-

million from Rs 2139 million. Quantity-wise this was sold out at 23.5 million tonnes compared to 22.7 million tonnes. There was a marginal improvement in the overseas supply of manganese ore from about Rs 176.40 million in 1975-76 (787,200 tonnes) to Rs 191 million (783,300 tonnes). Mica exports also increased from Rs 147 million (17.6 million kg) to Rs 174 million (14.1 million kg). Even iron and steel scrap fatched more at Rs 97.50 million against Rs 73 million. Ores and minerals other than iron and manganese ore and mica also witnessed spurt to realise Rs 547 million as against Rs 427 million.

The contribution of agriculture and allied products in these two years aggregated to Rs 10,845 million and Rs 12,172 million. In this sector, oilcakes have emerged as a prime export item which fetched Rs 2238 million in 1976-77 as compared to Rs 965 million in the previous year. In terms of quantity the export was 1.73 million tonnes and 1.09 million tonnes, thus indicating substantial improvement in unit value realisation.

Marine Exports

Fish exports also witnessed sizeable increase from Rs 1272 million (52,400 tonnes) to Rs 1803 million (58,800 tonnes). Sugar which topped the list of India's export commodities in 1975-76 having realised as much as Rs 4723 million registered improvement in the subsequent year at about Rs 1481 million. There was a shortfall in the export quantum of sugar from 1.2 million tonnes to 0.58 million tonnes. Indeed the decline is a reflection of the need to limit the exports of commodities of mass consumption that have tic supply.

On the same analogy, India's export trade in oilseeds, nuts and kernels, have also registered decline from Rs 822 million to Rs 712 million. There was improvement, however, in the export of non-essential vegetable oils particularly castor oil. Groundnut oil supplies were almost negligible in either of the years. Marginal promotion in the export trade of unmanufactured tobacco and spices was registered during 1976-77 as compared to the previous year. Tobacco supplies were up at Rs 966 million from Rs 931 million while spices brought in Rs 729 million compared to Rs 715 million. Pepper exports improved substantially while those of cardamom declined sharply.

Notable Decrease

There was a notable decrease in the overseas supply of raw cotton to about Rs 270 million from Rs 413 million. Raw jute export fell shortly to 3,700 tonnes valued Rs 12.30 million from the high level of 35,600 tonnes valued at Rs 101 million. The group of India's fruits and vegetable contributed higher exchange earning at Rs 1606 million compared to Rs 1348 million. The major contributor in this group related to cashew kernels. Although the quantity of cashew exports came down to 51,600 tonnes from 53,600 tonnes, the value realisation was up at Rs 1060 million from Rs 961 million. There was also an improvement in the export of onions and pulses but the export business for these commodities has been banned for the time being in view of the domestic requirements.

Among other manufactures, well in 1976-77 included chemicals and allied products (Rs 1091 million against Rs 853 million), plastic and plastic manufactures (Rs 162 million compared to Rs 73 million), rubber manufactures (Rs 307 million in contrats to Rs 114 million), cement (Rs 272 million from Rs 149 million) and wood, lumber and cork manufactures (Rs 306 million from Rs 192 million).

Destination Pattern

An analysis of the destination pattern of India's export trade would reveal that out of the total value of Rs 49,810 million in 1976-77 in contrast to Rs 40,363 million in the previous year, the African markets absorbed business worth Rs 3057 million and Rs 2716 million in these two years. American region Rs 6210 million and Rs 5855 million, Asia and Oceanian countries Rs 18,029 million and Rs 152,68 million, East European countries Rs 7693 million and Rs 6882 million and West Europe Rs 14,822 million and Rs 9642 million.

Individual market-wise, the USA was the foremost market for Indian wares in 1976-77 and 1975-76 alike. Its purchase value in these years totalled Rs 5496 million and Rs 5200 million. Japan was the next best customer in both the years at Rs 5402 million and Rs 4328 million respectively. The UK constituted the third leading market and India's export value was at Rs 5101 million and Rs 4213 million. The fourth largest buyer of Indian goods has been the Soviet Union which has also improved its purchases from Rs 4167 million to Rs 4404 million. These four countries have always remained in the foremost in the context of Indian supplies abroad and all these have improved their intake in 1976-77.

In the African region, Arab Republic of Egypt is the most significant importer for India, but its purchase value has declined from Rs 1001 million in 1975-76 to Rs 908 million in the subsequent year. Sudan has however expanded its import from Rs 365 million to Rs 512 million. Tanzania is another growing market in the continent at Rs 240 million compared to Rs 167 million. Benin (formerly Dahomey Republic), Ethiopia, Kenya, Libya, Mauritius and Zambia have also expanded their purchases from India but Nigeria bought less at Rs 250 million compared to Rs 376 million.

Indian sales to North America moved up from Rs 5658 million to Rs 5983 million, mainly reflecting increased exports to the USA; Canada also imported more at Rs 487 million against Rs 428 million. Latin American markets particularly Venezuela and Mexico have imported more but Argentina and Brazil bought less.

Substantial Rise

The ESCAP region in Asia and Oceania as a whole improved imports from India from Rs 11,951 million to Rs 12,552 million. Apart from Japan and Iran, Australia, Nepal, Bangladesh, Singapore, Indonesia and Hong Kong figured prominently in the export supplies. Among other Asian countries, Dubai and Kuwait have substantially increased their offtake.

Excepting Bulgaria and Romania, all the East European countries registered expansion of their purchases from India during 1976-77. Apart from the USSR, Poland stepped up its imports considerably from

899 million to Rs 1125 llion.

In West Europe, EEC coun-es totalled their imports from dia at about Rs 13,329 mil-n as compared to Rs 8542 llion. France has almost ubled its intake while West rmany recorded substantial adway from Rs 1179 million Rs 2243 million. Similarly, lgium, Italy, the Netherlands d Denmark have all imported ore from India.

Among the European Free ade Association (EFTA) untries, significant uptrend in dian supplies was registered in spect of Switzerland, Sweden d Norway. Turkey and Spain re among other European untries whose imports wit-ssed increase from India.

There has been a notable versification in the electronic oduct exports from India in cent years. The prominent ms that have been added to e list of exports during 1976 cluded radio-cum-cassettes, M radios, variable gang ndensers, inter-communi-ion sets, multimeters, studio xture and other audio uipment and battery elimina-rs. The export of calcula-s also started firmly during s year.

ertilizer Consultancy to Burma

The Fertilizer Corporation India has recently bagged international consultancy ntract for fertilizer marketing d distribution study in rma. The contract valued about Rs 0.8 million has n secured in the face of f international competition d is stated to be the first r such consultancy job rusted by the World Bank an aid recipient country. o this assignment is the ond in the series of inter-onal jobs to be handled by the Fertilizer Corporation of India. Earlier, FCI under-took a market feasibility study for the government of Philip-pines in connection with the proposal for setting up a large urea ammonia complex in that country.

marketing and distribution to be undertaken in Burma is expected to be completed with-in six months. The main object of the project is to deve-lop proposals for a marketing system in that country as well as to help farmers in getting quantities at proper time and place as per their requirements. Naturally the study would initially involve an examina-tion of the existing pattern of consumption and production in Burma as well as the need for setting up storage require-

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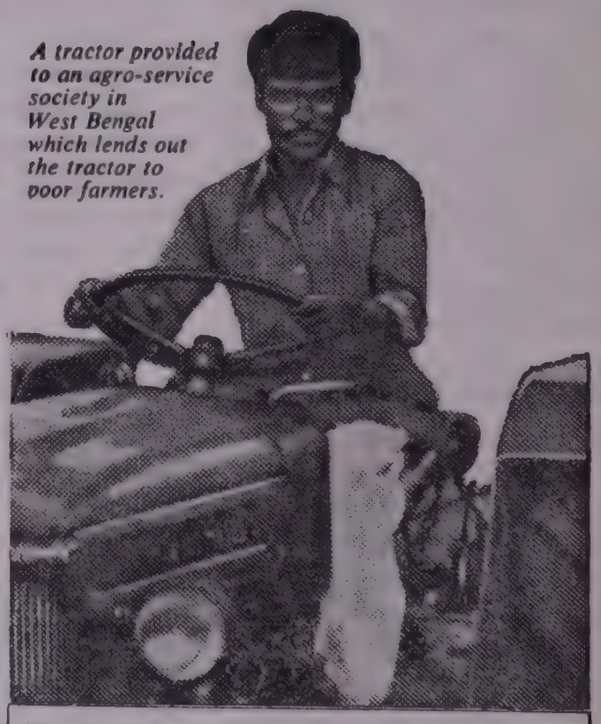
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plants besides a study of the present price structure.

Indian fertilizer production showed significant improvement in recent years. The output of nitrogenous fertilizers during 1976 was of the order of 1.9 million tonnes as compared to 1.54 million tonnes in the previous year. The available capacity for production in this line is over 3 million tonnes spread over 29 manufacturing units. In addition, output of phosphatic fertilizers stood at 480,000 tonnes in 1976 compared to 320,000 tonnes in the previous year. Installed capacity of this variety of fertilizers is about 915,000 tonnes distributed over 40 manufacturing units.

The Fertilizer Corporation of India Ltd is at present operating seven units with a total capacity of 917,000 tonnes of nitrogen and 36,000 tonnes of phosphate. The operating units are at Sindri, Nangal, Trombay, Namrup, Gorakhpur, Durgapur and Barauni. The total production of FCI units during 1976-77 was 461,000 tonnes of nitrogenous and 45,000 tonnes of phosphatic fertilizers. In the previous year, the production figures respectively were 341,000 tonnes and 34,000 tonnes. The average capacity utilisation of FCI's units improved from 68.7 per cent and 94.4 per cent to 73.5 per cent and 125 per cent in the case of the nitrogenous and phosphatic fertilizers respectively.

Exports to Canada

While traditional items such as jute, tea and sugar constituted the bulk of Indian exports to Canada in 1960, there has been a rapid diversification in the supplies since then. The emphasis in the exports from India to the Canadian market in recent years has been on manufactured and processed items like engineering and electronic goods, ready to wear garments and fabrics, chemicals and allied products and marine products. The value of Indian exports to Canada was stepped up considerably from Canadian $46.64 million in 1975 to $66.71 million in 1976. It is envisaged that in the next three to four years, an annual growth rate of 10 to 12 per cent would not be difficult of achievement according to the information received from the Consulate General of India, Toronto; towards this end, special emphasis is sought to be made on selected commodities of export to Canada.

Wider Range

During 1976, the most important line of export from India to Canada related to cashew and peanuts at over $ 18 million. These exports registered considerable rise in the year compared to the export earning of $ 4.9 million in 1975 and an average of about $ 6 million during the preceding few years. The group of textiles constituted another significant line of export at about $ 17.9 million in 1976 compared to $ 12 million in the previous year. Nonetheless, India's share in the enormous textile market of Canada has continued to be relatively modest. The first ever textile exhibition and fashion show in North America organised by India in Montreal and Toronto is reported to have created a lasting image of Indian textiles including silks, cottons, woollens and blends, resulting in on-the-spot booking of orders worth Rs 23 million. Indian handlooms have however suffered tariff and other import restrictions. The government of India have taken up with the Canadian government the question of exempting Indian handlooms from such restrictions on grounds that they were products of the cottage industry contributing significantly to employment opportunities and at the same time offering no adverse competition to the Canadian textile industry. The Consulate General of India in Toronto has reported that the Canadian potential for fabrics would be worth $ 700 million a year and even a small percentage of say 3.5 per cent of this potential initially would yield export realisation for India of about $ 20 million. Interestingly, engineering goods contributed substantial proportions of Indian supplies to Canada. The Canadian market has been in recent years becoming rapidly aware of India's potential as a reliable supplier in this field. As a proof there was an increase in the exports from India by about cent percent between 1971 to 1973 with the export value having reached the figure of $ 1.3 million. There was a further improvement in the exports which crossed $ 4.2 million in 1976.

Important Items

Among other important lines of supplies from India to Canada are jute manufactures, carpets, sugar, leather and leather products, footwear, tea, coffee, spices and chemicals and allied products.

Indian imports from Canada have till recently been dominated by Canadian grants and aid to India. With falling assistance programmes, Canadian export profile is likely to undergo a change both in terms of value and variety according to the Consulate General. While in 1975, Canadian exports to India totalled $ 200 million; these were of the value of only $ 153 million in 1976 registering a down trend of 23 per cent. The trend for 1976 showed the value of Canadian exports to India declining substantially with wheat, rapeseed, newsprint, chemicals and alloys constituting the bulk.

Export Trade in Meat

Meat exports from India have registered substantial uptrend in recent years. The species of which meat has been exported relate to buffaloes, sheep, goats, poultry birds, frogs, turtle and tortoise. Form about Rs 50.40 million in 1974-75, the foreign exchange realisation improved to Rs 102.65 million in 1975-76 and over Rs 146 million even during the first three quarters of 1976-77 (April-December, 1976).

The most important export variety pertains to frog meat (frog legs). Its export value improved from Rs 15 million in 1975-76 to over Rs 54 million in 1975-76 and approximated Rs 73 million in the subsequent year. Frozen meat has also been in increasing demand abroad. It fetched about Rs 25 million in 1974-75, Rs 32 million in the subsequent year and over Rs 45 million during the first three quarters of 1976-77. Likewise, export trade in fresh and chilled meat also looked up from Rs 11 million to Rs 16 million and further to Rs 28 million in these periods. Dressed poultry meat was exported though in small quantity during 1976-77. Turtle and tortoise meat has also figured in the export trade over the years.

During 1975-76, frozen frog meat was supplied principally to France, (Rs 30 million), the

USA (Rs 16 million) and Belgium (Rs 5.8 million). The total quantum of frog meat export in the year amounted to 2.24 million kg.

Meat of sheep or goat which realised Rs 15.76 million during 1975-76, was mainly supplied to Dubai (Rs 9.16 million), Abu Dhabi, Bahrain Islands, Muscat and Kuwait.

Other varieties of meat and offal secured foreign exchange worth Rs 32 million and the principal importers in this line again were Kuwait and Dubai.

In addition to meat, India exports considerable quantity of fish products, the export value of which amounted to Rs 1253 million nuring 1975-76 compared to Rs. 650 million in the previous year.

Export of Rayon Textiles

Consumer preference abroad for Indian rayon and synthetic textiles has shot up. Exports during the first six months of this year (1977) which were valued at Rs 220.6 million showed an increase of 268 per cent over the performance in the corresponding period last year. The exports during January-June period last year were Rs 82.3 million.

Rayon items featured predominantly in the export trade accounting for about two-third of the overall exports. Filament and spun rayon fabrics together aggregated to Rs 143.07 million which was an increase of 305 per cent over the exports during the same period last year.

Other major synthetic textile items too registered a rise. Thus exports of polyester and polyester-blended fabrics valued at Rs 14.4 million showed a hike of 579 per cent, garments made-ups totalling Rs 20.7 million were 580 per cent higher and miscellaneous items amounting to Rs. 20.4 million reflected an upswing of 540 per cent.

Leading markets for rayon and synthetic textiles were Iran, the United Kingdon, Saudi Arabia, the United States, Poland, Dubai, Australia, Yemen Arab Republic, Afghanistan, Canada, Singapore, Somalia, Ethiopia, South Yemen and Kuwait.

Trade Fair in Moscow

An exclusive Indian trade exhibition is to be held in Moscow during the summer of 1978. This will be one of the biggest Indian trade fairs organised abroad.

This is the second time that India is organizing an exhibition at national level in the Soviet Union. The first major exhibition was arranged in the summer of 1963.

The exhibition aims at projecting the progress India has made in the fields of agriculture and industry, with particular emphasis on the possibilities of expansion and diversification of India's trade with Soviet Union. It will be spread over an area of 15,000 sq. mts. Although Indian exhibits will be displayed mainly for the Soviet market, buying delegations from other East European countries will also attend the fair.

The exclusive Indian exhibition in Moscow will not merely be a trading concept but will also cover the cultural life and environment of the Indian subcontinent. Apart from cultural shows, fashion parades and film festivals, an Indian restaurant in the fair premises is to provide added attraction.

The Soviet Union occupies an important position in India's external commerce. Indian exports to this country improved consistently from Rs 3774 million in 1974-75 to Rs 4261 million in 1975-76 and Rs 4322 million in the first eleven months of 1976-77 (April-February). On the other hand, Indian imports from the USSR stood at Rs 4089 million and Rs 2958 million during 1974-75 and 1975-76.

India's trade with the USSR is conducted within the framework of the long-term Trade and Payments Agreement which provides for bilateral balanced trade through clearing account system in non-convertible Indian rupees. Rupee funds are generated to the credit of these countries through imports by India and these funds are liquidated through purchases from India. Repayment of credits is also made through export of goods. India imports many essential items like equipment, components and spares for Soviet-assisted projects in India, fertilizers, sulphur, non-ferrous metals and other industrial raw materials and exports both traditional and non-traditional commodities to the USSR. For some products, the USSR is the principal or important market for India. These include cashew, coffee, tea, spices, tobacco, jute manufactures, coffee, piecegoods, footwear, woollen knitwear etc.

Paper and Newsprint

The turnover of paper and paper board industry in India is reported to have looked up substantially during 1976 notwithstanding some decline in domestic demand and power cut imposed on some of the mills during the year. The production is estimated to have improved to 875,000 tonnes registering about 50,000 tonnes of improvement over the year 1975. There are about 75 mills engaged in this line of manufacture with an installed capacity of 1.13 million tonnes approximately.

While 64 manufacturing units already registered with the Directorate General of Technical Development, ministry of Industry, government of India had a manufacturing capacity of 220,000 tonnes per annum, there were 100 licensed units with a combined capacity of '889,600 tonnes as on October, 1976. Additionally letters of intent to 94 units accounted for an additional capacity of 1.19 million tonnes per year according to the annual report of the ministry of Industry, 1976-77.

New Projects

As regards newsprint production, M/s National Newsprint and Paper Mills constitutes the only existing newsprint mill in India. This mill which is in the public sector, has an installed capacity of 75,000 tonnes per year. The turnover of the mill in 1976-77 was expected to be of the order of 57,000 tonnes as compared to 52,864 tonnes in 1975-76. M/s Hindustan Paper Corporation, a government of India undertaking has also been actively implementing the setting up of newsprint factory with a capacity of 80,000 tonnes per year in Kerala and this project is expected to be completed by October, 1978.

Currently there are three units engaged in the manufacture of rayon grade pulp with a total installed capacity of 117,600 tonnes per year. One of the units is implementing substantial expansion by 20,400 tonnes per annum. The total production of this pulp from the existing units was estimated at 125,000 tonnes in 1976-77 as compared to 105,265 tonnes in the preceding year.

Also there is one manufac-

turing unit for the production of paper grade pulp. This unit has recently extended its manufacturing capacity from 20,800 tonnes to 40,000 tonnes. The production of the paper in 1976-77 was estimated at about 21,500 tonnes.

India is also producing pulp and paper mill machinery. There are at present 25 units which are licensed to manufacture this machinery. Besides, 8 are registered with Directorate General of Technical Development in this field. Twentytwo units are in production. The total licensed capacity in terms of value is around Rs 727 million. The estimated installed capacity is about Rs 357 million per annum. Besides the licensed and registered units, letters of intent have been issued to various existing new units for the manufacture of paper and pulp machinery for a total capacity of approximately Rs 505 million. The capacity and production targets for fiifth Plan (1974-79) are Rs 350 million and Rs 300 million respectively. In view of the capacity already installed and approved, there is no shortfall in capacity vis-a-vis fifth, Plan targets. The industry is being encouraged to reduce the import content in their phased manufacturing programme. The industry is also in the export market for drinier wire cloth. Efforts have also been made to export dandy rolls, which were being imported till a few years ago.

Processed Food Industry

A wide range of processed food industries registered notable progress in India over the years. Baby food, biscuits, confectionery, edible oils. instant coffee and coffee are some of the industries which have made headway.

In the production of baby food, there has been significant increase during 1976-77 at 26,000 tonnes indicating a 24 per cent improvement over the previous year. Output record is reflective of the intensive dairy development measures that were undertaken during the year. There are ten manufacturing units engaged in this line of producrion with an installed capacity of 29,580 tonnes per annum.

The production of milk powder in India was of the order of 18,500 tonnes during 1976 as against an installed capacity of 37,390 tonnes spread over 18 units in this line. The output of condensed milk stood at 5000 tonnes and the installed capacity for this variety is



about 3300 tonnes distributed over six manufacturing units. Malted food is another line in which good progress has been reported with an annual production of 15,000 tonnes (1976) as against 20,420 tonnes worth of installed capacity distributed over nine manufacturers.

The processed food industries have also entered firmly the production sectors—weaning foods and high protein foods as well as egg powder and cheese. The output of weaning and high protein foods, for instance, was of the order of 6500 tonnes in 1976 with six manufacturers engaged in this line of production with a combined manufacturing capacity of nearly 9000 tonnes.

Progress in Starch

Starch production is another line in which the processed industry in India has recorded progress. Its turnover was hardly 79,360 tonnes in 1975 and it advanced to 110,000 tonnes in 1976. The available capacity for starch is 168,600 tonnes and there are nine manufacturers in this field.

In liquid glucose and dextrose, the processed food industry has recorded improvement. The production of liquid glucose from 22,250 tonnes in 1975 to 25,500 tonnes in the subsequent year. The installed capacity for this product is 80,000 tonnes spread over seven units. Dextrose production was of the order of 10,000 tonnes in 1976 when there were only two units with a combined installed capacity of 30,600 tonnes.

The production of biscuits has registered a rise of 16,000 tonnes accounting for an increase of 30 per cent over the production in the previous year. Actual turnover for 1976 was 67,100 tonnes. But the installed capacity for biscuits is as much as 104,450 tonnes annually and there are 31 manufacturers active in this line. The production improvement in 1976 was mainly due to availability of increased raw materials to the biscuit manufacturing units.

The output of confectionery as reported by the annual report of the ministry of Industry was of the order of 12,670 tonnes in 1976 as compared to 7120 tonnes in the previous year, There are 22 manufacturers engaged in this line with a combined annual capacity over nearly 35,930 tonnes. There were 17 units producing bread in India in 1976, whose production exceeded their installed capacity—85,000 tonnes against 83,200 tonnes. The production, installed capacity as well as number of units increased in 1976, compared to the previous year,

Estimated production of meat products was as much as 5100 tonnes in 1976 compared to hardly 1600 tonnes in the previousyear. There are seven recognised manufacturers in this field with an installed capacity of 10,000 tonnes a year.

Chocolate Production

Chocolate production in 1976 registered rise to 1800 tonnes compared to 1590 tonnes in the previous year. The installed capacity is 4410 tonnes and there are five manufacturers. Alike in instant coffee and instant tea, India's annual production improved in 1976 compared to the previous year. For instant coffee, the production was 2100 tonnes as against 1155 tonnes. The installed capacity for this item is 2140 tonnes. The output of instant tea also improved from 280 tonnes in 1975 to 600 tonnes in the subsequent year. The installed capacity is 850 tonnes per annum.

There are seven recognised manufacturers of ice cream in India with a total installed capacity of 9.50 million litres. Actual production in 1976 was of the order of 4.2 million litres which was an improvement over the 3.8 million litres in the previous year.

The butter production amounted to 6000 tonnes in 1976 while the available capacity is of the order of 12,500 tonnes per annum. The production of ghee was 9500 tonnes out of installed capacity of 16,500 tonnes a year.

Vegetable Oils

Production of vegetable oils by expeller process is subject to special regulation in India in regard to licensing of further capacity. No additional capacity for processing of oilseeds is encouraged. Government of India is however encouraging crushing and solvent extractions of minor oil seeds on modern lines. Currently there are 87 manufacturing units in the organised sector engaged in cotton seed crushing with an installed capacity of 1.31 million tonnes and 128 units for solvent extractions of oil from oilcakes and rice bran with an installed capacity of 2.8 million tonnes. The total production of these units during 1976 was estimated at 170,000 tonnes as agninst 152,880 tonnes of oil in 1975.

There are several other lines of processed foods in which India has achieved progress such as flour mill, pearl barely, corn flakes and oat flakes, guar gum, anhydrous dextrose, anhydrous destrose, drinking chocolate, coca powder, casein, modified milk food, sorbitol, tamarind seed kernel powder and so on.

IMF Loans Repaid

By complete repayment against the outstanding first credit in gold tranches amounting to 281 milllion SDR's (Special Drawing Rights) or approximately Rs 2890 million, India has re-emerged from a position of debtor to the International Monetary Fund. The annual repayment obligation which India has, outside the normal drawings rights, is the 1975 oil facility of 210 million SDR's or over Rs 2070 million. India had repaid the 1974 facility drawing of Rs 1920 million and a part of the first credit tranche in September, 1976.

The repayment of IMF debts has been made possible by the comfortable foreign exchange reserves position. The reserves rose by Rs 8810 million in 1975-76 and by Rs 13,000 million in 1976-77 and stood at Rs 33,670 million at the end of July, 1977. As a result of the repayment to IMF, the reserves declined by Rs 2470 million at the end of July when the exchange reserves other than gold and SDR's stood at Rs 31,200 million.

India drew a total of over Rs 7500 million under various tranches as well as the oil facility in 1974 and 1975. This included Rs 620 million under the compensatory financing facility which was repaid in April last year, Rs 722 million under the gold tranches, Rs 2200 million under the first credit tranche, Rs 1920 million under the 1974 oil facility and Rs 2070 million under the 1975 oil facility.

Growth with Social Justice : A New Export Policy

Growth in exports is an essensial prerequisite for attaining economic self-sufficiency. India's exports have been increasing steadily over the last few years and for 1977-78 a target has been set at Rs 575,000 million which is substantially higher than the performance of about Rs 50,000 million in 1976-77.

Growth in exports is not an end in itself. The primary objective is to ameliorate the sufferings of millions of the countrymen and raise their standards of living. Hence while exporting essential goods of mass consumption, overriding consideration is sought to be given to the needs of the people in the country.

This principle has been made abundantly clear to the exporting community by now. Exports of fresh vegetables, including potatos and onions, have been either banned or regulated. Exports of other essential commodities like sugar and tea are also being made only after ensuring adequate supplies to the domestic consumer.

This does not, however, necessarily mean that the exporting of such items would be stopped permanently. Nature has endowed the country with plentiful resources. While it is true that most of the essential articles of mass consumption are agro-based, it is equally true that there is vast scope to increase the production of almost every agricultural item in the country. To ensure proper utilisation of the resources, to organise efficient production and to create adequate export surpluses after meeting the demands of the people would be the major objectives. Exports could also help the nation in maintaining the support price or fetching better returns to the producer and to further accelerate indigenous production. The watch-word therefore would be "Develop and Export".

In fact, there is no inherent dishotomy between the natio-al efforts to maintain a conti-

India's Import of Principal Commodities

(*Value in Rs. Million*)

S. No.	*Commodities*	*Unit*	*1975-76*		*1976-77 (April-76, January-1977)*	
			Qty.	*Value*	*Qty.*	*Value*
1.	Cereals and Cereal Preparations	Value	—	13383.50	—	8287.80
	(a) Wheat	Million Tonnes	7.10	12072.20	4.74	7700.00
2.	Raw Cotton	000 Tonnes	36	291.70	59	1065.30
3.	Petroleum and Petroleum Products	Million ton	16.10	12257	13.46	11227.20
	(a) Petroleum Crude	,,	14.20	10518	11.42	9312.60
	(b) Petroleum Products	,,	1.9	1739	2.04	1914.60
4.	Chemical Elements and Compounds	Value	—	1773.70	—	1128.30
5.	Fertilisers—Manufactured	Million Tonnes	1.95	4345.00	1.50	1535.20
6.	Newsprint	000 Tonnes	1.01	383.20	116	437.00
7.	Pearls, Precious and Semi-precious Stones	Value	—	839.00	—	1391.00
8.	Iron and Steel	C00 Tonnes	576	3055.70	334	1836.20
9.	Non-ferrous Metals	Value	—	978.50	—	1356.30
10.	Machinery and Transport Equipment	,,	—	8817.60	—	7922.10
	(a) Machinery, other than Electric	,,	—	5645.00	—	5477.20
	(b) Electrical Machinery	,,	—	1871.80	—	1392.30
	(c) Transport Equipment	,,	—	1301.00	—	1052.60
11.	Professional, Scientific and Controlling Instruments	,,	—	378.60	—	359,90
	Grand Total of Imports including other Commodities	,,	—	51578.20++	—	41450.7+

Total imports in 1976-77 have been estimated at Rs 49,806 million ++This figure was revised subsequently to Rs 52652 million.

Source : Office of Economic Adviser, ministry of Commerce, government of India.

nual growth in exports and the paramount need to ensure social justice to common man. The new export policy resolution now under preparation, will harmonise these principles and guide the export promotion efforts in the decades to come. The basic concepts underlying the new thrust for boosting India's exports and attaining self-sufficiency may be outlined as below.

Fundamental Elements

One of the fundamental elements of the new strategy is to shift the export mix towards the dynamic sectors in which the country has a long-term competitive advantage and whose exports can be sustained without the help of artificial crutches. These leading sectors of export expansion are engineering goods chemicals, plastics, leather manufactures, textile made-ups and garments, carpets, handicrafts and technology intensive products like exports of consultancy services and project exports.

This does not mean that the traditional exports would be neglected. The aim is to increase the productivity of traditional items and diversify the commodity mix so that domestic value added in these exports would be maximised. For instance, there is shift away from the exports of raw hides and skins to finished leather and leather manufactures. Exports will be progressively larger in respect of packet and bagged tea rather than bulk tea. Similarly, domestic value added in the exports of renewable nature resources like marine products and forestry-products or depletable resources like ores and minerals is sought to be increased.

Another cardinal element of the new policy is to minimise social costs of the exports by regulating the exports of essential mass consumption items. In case of items such as oilseeds, pulses, tea, vegetables, onions, etc., domestic requirements will always take precedence over exports. The foreign exchange reserves are not to be built on the sufferings of the common man.

However, it must be clarified that in many items or goods which usually cater only to elitist consumption, domestic consumption would have been restrained to fulfil the export commitments or to exploit international market opportunities when they are favourable. Such a sacrifice, if at all it can be called a sacrifice, should not be looked upon with any undue concern.

Bargaining Power

It is also proposed to increase the bargaining power of Indian exporters so that they can succeed in the highly competitive international markets. For this purpose, the state trading organisations will be strengthened and other infrastructural support in terms of better international marketing and information systems will be provided.

In fact, growth in exports always has multiple effects on a country's economy. It not only generates foreign exchange enabling the country to buy its requirements not available locally but also results in spin-off benefits for the domestic consumer by exposing the local industry to international markets and making it relatively more competitive as also cost and quality conscious. Moreover, the growth of exports of labour intensive products can make a significant contribution to mitigation of the most serious problem of unemployment that faces the country. It is also felt that the new export strategy, by the very choice of the export products, should give additional boost to small scale and medium scale industries and help decentralised production in different regions of the country.

National Objectives

The import policy of the new government is similarly designed to achieve the overall national objectives. The policy aims at increasing domestic production and employment through better capacity utilisation, boosting efficient lines of export production by making critical inputs available at international prices to the exporting community and increasing productivity of material resources by modernising various sectors of economy and making available advanced technology, intensive capital goods and industrial machinery.

Although the policy of selective liberalisation of imports has been adopted, adequatc care has been taken to safeguard the genuine interests of indigenous products. National commitment to give unqualified support to indigenous industries that can produce efficiently the goods and serviees required by the economy has been reiterated. The impact of import liberalisation on indigenous industry is being reviewed and whether any change is required in the policy to ensure adequate protection to their interests is being examlned. All the needed incentives for such import substitution projects of domestic entrepreneurs would be continued.

In the new import policy, special care has been taken to safeguard and promote the interests of small scale, cottage and village industries. In the procedures of import licensing, discrimication faced by the small units has been removed by making available to them the facilities enjoyed only by large scale units in the past.

Special facilities have been provided to expand opportunities for young entrepreneurs, unemployed youth and graduates in science and technology for innovative participation in the development of their industrial units. Import needs of vital institutions engaged in research and education are fully provided for in the import policy. Equally, in regard to registered exporters and export houses, many innovations have been introduced so that the exporting community gets all the facilities to counter the handicaps which they have been facing in the past to make their products competitive in the overseas markets.

New Initiatives

The government has also been taking new initiatives in rationalising the trade policy instruments. It is the endeavour of the government to make the official machinery and various procedures simplified and encourage the process of decentralised decision-making so that the industry and trade are served efficiently in meeting their genuine needs.

The government has launched an all out campaign to eradicate poverty, root out unemployment and bring prosperity to village and towns. Their efforts to boost foreign trade are an integral part of that drive.

(Based on an article by Mr Mohan Dharia, minister for Commerce, Civil Supplies and Cooperation, government of India).

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Handle with care

THE SUCCESSFUL operation performed in the US on the president of India for the removal of a small localized malignant tumour from the upper lobe of the left lung, his uneventful convalescence and the latest reports (as at the time of writing) that he is planning to return within the next few days have combined to justify and facilitate a dispassionate discussion on the controversial aspects of the decision which had sent Mr Sanjiva Reddy to the Memorial Sloan-Kettering Centre in New York for medical treatment. In retrospect it could be said perhaps that the ailment was not one which was beyond the resources of our medical profession or hospitals to diagnose or minister to. In fact the surgery which Mr Reddy underwent seems to be of a kind which is being undertaken regularly at various medical institutions in this country. The question, therefore, is whether the panel of doctors which was called into consultation when the "coin lesion" was discovered during a routine medical check up of the president at the All India Institute of Medical Sciences in the capital could have reasonable grounds for concluding, as it did, that the president's ailment was such that the medical facilities available in the country, whether by way of specialized professional skills or specialized hospital equipment, might be found inadequate either for a completely satisfactory diagnosis or for any medical or surgical emergency that might arise in the course of treatment or during convalescence.

Normally there should be no provocation in joining issue with this panel which included not only eminent men from the All India Institute of Medical Sciences but also the head of what is probably the country's most widely known cancer treatment facility, viz, the Tata Memorial Hospital in Bombay. However, in this particular case certain prominent members of the medical profession, including leading surgeons in Delhi and the associate director of the Cancer Institute in Madras, have bluntly questioned the validity and propriety of the position taken by the panel. More specifically, some of the critics have disputed the panel's assertion that an essential piece of after-care equipment called "linear accelerator" was not available in the country. They have affirmed that this equipment, which has been installed at two medical centres, has been in active use at one of them for quite some time. In any case the course of treatment followed at the New York hospital did not in fact call for the employment of this apparatus.

The government's action in placing rush orders abroad for two linear accelerators, one each for the All India Institute of Medical Sciences and the Tata Memorial Hospital in Bombay, has thus all the appearance of a face-saving device and has only served to strengthen the impression in the public mind that an attempt has been made to make the panel's recommendation appear more valid than it really was. Surely, when expensive medical equipment is to be procured from abroad, the government should have given a little more thought to priorities in the equipment needs of our hospitals. Even in the restricted field of cancer treatment it may be that other facilities have a greater claim on public funds, while, in a country where even oxygen cylinders are not always available in time or in adequate numbers at major hospitals, linear accelerators may not be the obvious candidates for privileged treatment in the matter of government expenditure on health care for the people.

The critics of the panel have voiced a justified grievance that the panel's view on the necessity or urgency of putting the president on a plane bound for New York was an unwarranted and therefore an unfair reflection on the medical profession in this country. The issue raised by them cannot be dismissed as a matter of wounded professional pride.

On the present occasion, moreover, there is reason to suspect that the panel might have acted as it did because of lack of confidence or courage. Post mortem or post facto enquiries into medical treatment given to VIPs have been irresponsibly encouraged to such an extent that many members of the medical profession are afraid

to touch an ailing VIP with a barge pole let alone the surgeon's scalpel.

The expenditure of public funds incurred on the president's medical odyssey has prompted comment. The subject is important only in the sense that, when it comes to the delivery of health care to the common man, his wife or his family, the government has the habit of pleading that modern medicine is expensive to an extent which this poor country cannot afford. There is a saying in Tamil that when the wood-cutter discovers a carbuncle on his leg, all that he could do is to administer a whack with his axe. This may be too cynical a view of what the less affluent nations could afford to do for the health care of its people, but its cynicism cannot be countered until the Janata government is able to narrow the yawning gap between the medical care which is available as a routine to the upper crust of society and the lack of elementary medical facilities which so large a part of our population has to put up with.

Money and prices : claiming too much

A RECENT press release by the Reserve Bank of India has drawn pointed attention to the deceleration in money supply with the public witnessed between March 25 and August 19 this year. The statistics presented for this short period, covering less than five months since the Janata government came to power at the centre is pressed into service for arguing that an effective attempt is being made to arrest the pace of expansion in money supply through strict control over public expenditure and a restrictive monetary policy.

According to the Reserve Bank of India, money supply with the public during the period under reference rose by 4.0 per cent as against the increase of 6.9 per cent in the corresponding period last year. In absolute terms, money supply expanded by Rs 623 crores as compared with the rise of Rs 911 crores during the corresponding period in the preceding year.

How has this retardation in money supply expansion come about? Two major factors influencing money supply, namely, "net foreign exchange assets of the banking sector" and the "net bank credit to government" have more than doubled in the period under reference in relation to the corresponding period last year, but their impact has been blunted by the increase in the "non-monetary liabilities of the banking sector" particularly through an increase in time deposits which rose by Rs 1413 crores as against the corresponding rise of Rs 1272 crores last year. The credit policy of the Reserve Bank of India enunciated in June this year had reduced the interest payable on fixed deposits of maturity ranging from nine months to five years but the long-term deposits had not been tampered with. This had made time deposits a hot favourite, thus reducing the pressure on money supply.

Another interesting feature of the credit policy which has assisted in restraining the growth of money supply with the public is the reduced release of bank credit (gross) to the commercial sector. During the period under reference, the increase under this head was of the order of Rs 339 crores (+2.5 per cent only) as against Rs 807 crores (+7.3 per cent) during the same period last year. The tightening of refinance facilities and rediscount accommodation since June 1977 restricted the recourse of commercial banks to the Reserve Bank of India. The credit needed for food procurement and fertiliser distribution has not been withheld; neither has there been any inadequacy of credit "for legitimate productive activity" according to the Reserve Bank though the industry and trade may not share this view.

The Reserve Bank of India has also attempted to relate the reduced rate of expansion of money supply with the subdued increase in prices in the period under reference to prove the causal effect of one on the other. It has been shown that the price rise during the period March 26, 1977 to August 13, 1977 at 3.3 per cent was only about one-third of the rise of 9.7 per cent recorded during the corresponding period last year.

What is the relevance of this short-term exercise in evaluating the impact of movements in money supply with the public on trends in the price level? Ostensibly, the statistics cited above prove the theory that variations in money supply bring about sympathetic changes in prices though during the emergency it was seen that, despite a continuous increase in money supply till March 1976, prices in general had continued to fall. The positive correlation of money supply and prices over the long run has no doubt been proved in a number of countries and this relationship holds in our country as well when studied for a decade or more but it seems naive to draw conclusions from data covering a few weeks.

The obvious inference from the Reserve Bank's analysis is that the policies currently being pursued by the government are such as would not accelerate the pace of expansion in money supply, but a more straight-line extrapolation based on this meagre data will not hold at all because

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the government has taken certain decisions which are likely to throw to the winds all the caution that it has exercised so far in this regard. For instance, the ordinance on bonus to industrial workers at 8.33 per cent will result in generating additional purchasing power in the hands of the workers by Rs 250-300 crores before Divali this year. The bonus decision has triggered demands for ex-gratia payments from sections of employees not covered by that decision. Moreover, claims for wage revisions have become the order of the day. Then, the repayment of the second instalment of the CDS will add to the money supply with the public another sum of Rs 326 crores. As the year approaches its end, the planned and non-planned expenditure is likely to mount up. The foreign exchange reserves have continued to soar month after month and the banking system will be called upon to disburse rupees to those sections of our population who received remittances from abroad for their consumption expenditure.

Again, it will be erroneous to jump to the conclusion that it is merely the reduced rate of rise in money supply which has brought about the slower rate of rise in prices in the period under reference. In fact, there are two major groups of commodities—fibres and oils (including oilseeds)—which have continued to exert pressure for weeks together on the index of wholesale prices. The recent measures taken by the government in liberalising the imports of cotton, man-made fibres and oils and oilseeds, and the prospects of bumper harvests in oilseeds and cotton have eased their pressure on the index for prices. This has therefore been one of the powerful reasons for the halting rate of rise witnessed in the index of wholesale prices. The Reserve Bank's attempt to correlate the retardation in money supply in the short period under discussion with the deceleration in price rise is therefore a poor attempt at proving a thesis which is neither profound nor sound. It could moreover conceivably give hostages to fortune.

Budget with a heart

MR M.G. Ramachandran is fast growing up from a matrons' matinee idol on yesterday's silver screen to a self-confident chief minister in today's Tamil Nadu politics. If his standing up to the bullying of the Hindi imperialists—a tribe which, we are sorry to say, still roams the political jungle—has shown that he can speak for the people of his state and their interests, his refusal to be pressurised by DMK demagogy into indulging in mock heroics over the riot-stricken Tamil-speaking minority in Sri Lanka suggests that he is not lacking in statesmanship. In the tension-ridden area of industrial relations, again, his ministry is trying to find its feet, although even his personal intervention could not avert the closure of a couple of industrial units managed by a leading business house in the state, thanks to disputes over productivity norms becoming an occasion for trade union rivalries. The handling of the Madras city bus strike, for instance, seems to have brought the MGR ministry much credit. The Transport minister, Mr Ponnaiyan, to whom some of the praise must go, showed both imagination and firmness. While keeping the door open for a reasonable settlement of the demand of the state-owned Pallavan Road Transport Corporation's workmen for interim relief, pending revision of the wage structure, he encouraged and supported the management in organising emergency services which could and did prevent a breakdown of the city transport during the eight-day strike. Thanks to the successful recruitment and training of substitute personnel for keeping the buses on the roads and the unstinting cooperation extended to it by private road transport operators, the corporation was able to maintain more than a skeleton transport service and was in fact able to put into operation a fleet of over 1,000 buses, representing more than 75 per cent of the normal complement, by the fourth day of the strike.

This combination of diplomacy in handling the negotiations and efficiency in calling the strike-leaders' bluff paid rich dividend by rallying the public, including the important student population, to the support of the authorities in maintaining a near-normal city bus service. As a result, although some arrests had to be made of strikers indulging in the intimidation of loyal workers or recruits or resorting to other acts of violent interference with the running of the buses, not only was law and order maintained with a minimum of police action but loss of or damage to public property in the form of vehicles or workshop facilities was also almost completely prevented. It is noteworthy that the union leaders taken into custody were released in the early phase of the strike to facilitate talks.

opposition's loss

What was the state government's and the community's gain from the former's efficient handling of the strike situation was justly the loss of the various opposition parties in the state. Taking advantage of the AIADMK's lack of a sufficient footing in the state's trade union movement the DMK, particularly, was not above exploiting the bus strike for its own political purposes, but what must disturb public opinion even more are the unprincipled attitudes of the communist and socialist unions which are never tired of advertising their alleged professionalism. The exorbitant demands for interim relief advanced as grounds for the strike showed a high degree of irresponsibility which was underlined by an indecent indifference to the public interest when the strike leaders exhibited their frustration by planning for a state-wide strike of state-owned bus transport services when they found their attempt to hold the people of Madras city to ransom foiled by the government's and the public's combined resolve to defy them. Incidentally, if the Janata party in the state was not more conspicuous in the joint endeavour of the opposition parties to embarrass the state government, it was probably because it could not have done more in that direction because of its being a political light weight in Tamil Nadu politics.

The settlement, which brought off the end of the strike on September 3, provided for an *ad hoc* payment of Rs 27 per mon

for each workman, effective from September 1 and will cover not merely the employees of the Pallavan Road Transport Corporation, serving Madras city, but those of all the seven state road transport corporations numbering over 40,000. The strikers will receive no wages for the strike period, but the government has undertaken to hold bipartite talks before the end of March 1978 to settle the demands of workers for a revised pay structure and their claim for increased dearness allowance on par with state government employees. It may be noted here that the strike leaders started their bargaining with a demand for an interim relief of Rs 100 per month and came down by stages to Rs 50, or, reportedly, Rs 30, while the Transport minister, on his part, began with Rs 10 and moved up to Rs 15 before the interim relief was finally settled at Rs 27.

game of figures

This game of figures is not of much help in deciding who really scored over whom and by what margin. The brute fact is that state road transport in Tamil Nadu is bloodily in the red. The Pallavan Road Transport Corporation has been losing money steadily over the years, the cumulative loss from January, 1972 to March, 1976 being over Rs seven crores. The loss anticipated for the current year is of the order of Rs 74 lakhs and this may go up appreciably as a result of the interim relief now agreed to. An immediate casualty of the aggravated financial pressure on the corporation would be the abandonment of plans to add 500 more buses to the metropolitan fleet. If this be the case, would it not be sensible to revise road transport policy realistically and permit more scope for private operators so that the public's transport requirements need not go unmet because of the high cost of state-owned road transport?

This question is fit to be considered all the more seriously since the state government's treasury itself is not sufficiently blessed with riches for helping out lame ducks. While the strike was on, the Transport minister was frequently wringing his hands and saying that the state budget for the current year was in deficit to the extent of Rs 24 crores. In fairness to the busmen, however, it must be pointed out that the Finance minister, Mr K. Manoharan, had announced in his budget speech, the decision of the state government to set up a third Pay Commission for advising it on a comprehensive and coordinated view of emoluments as well as the overall living conditions of employees and their families, in which would be included the facilities available to them in the matter of health, housing, education of children and social security. Meanwhile, the interim relief of Rs 10 per month sanctioned for state government employees in June this year is to be increased to Rs 20 for employees whose salaries are Rs 200 per month or more, with effect from the pay in July.

The Finance minister also disclosed that a major new retirement benefit scheme would be introduced for the benefit of the 730,000 state government employees. The employee will contribute Rs 15 per month from his salary and thanks to interest on this contribution and an additional amount of gratuity from the government, he would derive a benefit of Rs 10,000 on retirement after 25 years of service, although his own contribution during the period will be only Rs 4,500. The receipts from this scheme will be utilised for providing increased housing for government servants, local body employees and teachers.

attention to housing

Housing, indeed, has received some much-needed attention in the Tamil Nadu budget. Increased provision has been made for the construction of housing for low-paid employees under the rental housing scheme for those in government service. Apart from a major integrated urban development project for Madras city, which is to be implemented with assistance from the World Bank and for which the budget has provided Rs 6.95 crores, a number of schemes has been undertaken for the improvement of slums in Madras and other cities in the state through the provision of essential amenities. Rural housing is to be given a push through the establishment of 50 rural cooperative housing societies this year. House-building loans for fishermen, harijans and scheduled tribes will be free of interest.

Fishermen and harijans, indeed, are remembered more than once in Mr Manoharan's deal for the under-privileged. In just recognition of the hazards of the profession, fishermen are to have the reassurance of a special welfare fund from which the bereaved families of fishermen lost at sea will receive an immediate grant of Rs 5,000 of which Rs 2,000 will be paid immediately in cash and the balance in suitable instalments. An additional amount of Rs 5,000 per family will be spent on the rehabilitation of the widow (or, perhaps, widows) and childern so that they could become self-reliant. Scheduled castes and tribes are also treated to a special gesture, of a different kind. Their children are to be reimbursed the special fees and examination fees paid by them and supplied books free up to the school-leaving stage and, in the post-matric stage, they will not have to pay tuition fees. All these concessions will be available regardless of the income of the parents.

compassionate gesture

A particularly compassionate gesture to the deprived is the annual stipend of Rs 150 to be given to 1,000 indigent widows or other women in straitened circumstances, in the range from 16 to 30, whose family income is less than Rs 3,000 per annum. The purpose is to help them to acquire vocational skills in the form of typewriting and shorthand. Books and notebooks will be given free of cost to the children of widows whose family income is less than Rs 3,000 per annum. Guidance bureaux are to be set up in various parts of the state for assisting widowed women in obtaining life insurance and provident fund benefits which may be due to them, advising them on educational and employment opportunities and guiding them regarding the admission of their children to orphanages and educational institutions.

In the public health field, the budget speech has indicated that the state government is roping in reputed voluntary agencies to run mini-health centres for serving rural communities. The response is claimed to be satisfactory. A meaningful project is the medical examination of school-children, with special emphasis on the early detection of leprosy which is endemic in some parts of the state. Under this scheme, school-children up to 11 years

of age, would be given a thorough medical examination so that treatment could be started wherever there is need. This scheme will cover 4.5 million children. Of obvious relevance to the public health programmes is the provision made in the budget for a high-priority effort to provide drinking water to 4,010 habitations, covering a population of 1.7 million, which do not have a potable drinking water source within one kilometre.

incoming bills

Kind deeds, unfortunately, do not always pay for themselves, at least not in this world. They cost money. This means, in the case of governments, that they must find ways of making the community pay for the things they want to do for the community's welfare. Tamil Nadu's Finance minister, however, has chosen to wait for the bills to come in, hopefully expecting the central government to pick up at least some of them when they do arrive. Mr Manoharan's eye is now firmly on the seventh Finance Commission. He is in crowded company.

Mr Manoharan's fiscal measures have given away more than they have taken—an endearing trait, no doubt, in a Finance minister. Reductions in irrigation rates and reliefs in special assessment on commercial crops cut into revenue to the extent of Rs 2.5 crores per annum, while the rationalization of the sales tax and the decrease in the entertainment tax has taken away Rs 40 lakhs a year. As against this, the only revenue-raising measure is an increase in the excise duty on Indian-made foreign liquor which may fetch an additional revenue of Rs 50 lakhs per annum. Mr Manoharan has kept an open mind on the logic of this decision: "This measure will bring health to the consumers, and if not, at least wealth to the exchequer". Which may mean that there are circumstances when health is not necessarily wealth. Another light passage in the budget is the continuance of the state raffle scheme in a more popular form. The earnings from the scheme are to be utilised for extending drinking water facilities in rural areas. A case of washing one's hands off one's sins!

For a film-star's first effort to impress the electorate, the AIADMK's maiden budget is surprisingly free from theatricality. The budget, for instance, has resisted pressure from film-producers' lobbies for big hand-outs. Arguing that growth in the film industry should be qualitative, it has only conceded a modest subsidy scheme of one lakh of rupees for each high-quality, low-budget Tamil film with a social content up to a specific number of films every year. Its "do-good" schemes for the vulnerable sections of the community are sensible in themselves and also speak for the sincerity of their sponsors. The cynic will note, however, that the government spending for public welfare has often been an opportunity for political and administrative corruption. For instance, what kind of widows will benefit? The merry ones? Funds for alleged orphanages have not always gone to the orphans in the past. Is the ghost of DMK venality well and truly laid? Only a vigilant press can help public opinion in holding the rulers to their word. MGR has played Robin Hood many times on celluloid. The budget seeks to help the poor, but there has been no robbing of the rich yet.

Perhaps there need be no robbing ever. In any case, priority must be for creating riches. The budget advances a number of schemes for promoting small-scale and village industries. The concern shown for the handloom industry is reasonable and right in a state where its relevance to the employment and earnings of the small man has been traditionally significant. But, when all is said and done, irrigation and electricity for agriculture and power and industrial peace for large-scale industry must make the base for the resources which the state government must secure in increasing measure if it is to help more and more of the poor and the backward to stand on their legs and take their place in the community. The Finance minister has spoken of new irrigation and power projects. Recently, the Energy minister wrote from New Delhi to the Tamil Nadu government suggesting that it should take steps to improve the working of the thermal power stations in the state. A desideratum is an improvement in the quality of the higher technical and managerial personnel. There has been much back-sliding here due partly to favouritism and nepotism at the political level; the AIADMK has got to undo what the DMK had done.

Tax policy in West Bengal

Dr Ashok Mitra, Finance minister of West Bengal, used strong language in criticising Mr Siddhartha Shankar Ray's ministry, while presenting the budget for 1977-78 on August 25. He referred to the "dark chapter of the state's most recent history" and said that "a group of fly-by-night operators plundered the state's resources", and that they had "brushed aside all considerations of public weal" and elevated "personal aggrandisement to state policy". He remarked that West Bengal had become "a bankrupt state" and that the exchequer had been "ransacked by the previous regime". It may seem inappropriate for the state Finance minister to use such harsh words against the previous ministry. But is it not a fact that Mr Ray's cabinet had neglected even its basic responsibilities to the people. To cite an example, there is at present hard one road in the whole of Calcutta, which can be said to be in a good condition. Dr Mitra is right in saying that there is "great resentment" among citizens over the manner in which the programmes of the Calcutta Metropolitan Development Authority (CMDA) have been drawn up and implemented. According to him more than Rs 250 crores have been spent by the CMDA since 1970 but its benefits are yet to be seen by the people. Is it fair to blame only Mr Ray's ministry? Do not all political parties and other sections of public opinion also have a responsibility for the deterioration of civic services in Calcutta?

According to Dr Mitra, West Bengal's traditional industries are "in deep doldrums", private investment had been

languishing, and investment in the government sector has also been meagre. "Week after week", he said, "we hear of more and more industrial units which are either closed or on the verge of closing, and of thousands of workers being laid off or retrenched". In these circumstances, Dr Mitra should have framed his budget proposals in such a way as to help industries to revive rapidly. But business circles have expressed the fear that some of the tax measures will increase the cost of production and make it more difficult for industries to recover from the recession. The budget envisages additional taxation of Rs 25 crores with a view to reducing the closing deficit of Rs 74 crores to Rs 49crores. The proposals include imposition or enhancement of taxes on cars, liquor, ganja, lubricating oils, tea and colour films. A uniform rate of three per cent on the sale of raw materials to industrial producers has been fixed to yield an additional revenue of Rs 10 crores a year.

purchase tax

A new purchase tax of four per cent has been levied on all purchases by manufacturers from unregistered dealers to fetch an annual revenue of Rs 5 crores. The rate of the "last-point levy" has been raised by one per cent under the Sales Tax Act, which would bring an extra revenue of Rs 5 crores. Some concessions in taxation have also been given. The sales tax on drugs, for instance, has been lowered from eight per cent to six per cent. But the overall impact of the budget on industry and trade, it is felt, is not likely to be favourable. The government should keep a close watch on the effect of the tax proposals on the working of industry and trade and, where necessary, should promptly modify them.

Making a forceful plea for a review of the entire range of issues relating to the fiscal relations between the centre and the state governments, Dr Mitra said: "The actual position with respect to the devolution of fiscal powers to the states of the union is today even worse than what was envisaged in the Constitution. An amendment to the Income Tax Act has removed from the definition of income tax the tax paid by the companies and thereby caused a substantial reduction in the divisible pool to which the states are entitled. The introduction of the so-called surcharge on income tax has been an altogether transparent device by which the states have been deprived of a portion of what, in terms of a strict interpretation of the Constitution, should have been their due. While additional excise duties are entirely subject to devolution to states and union territories, only 20 per cent of the proceeds of basic excise duties are subject to such devolution. While rates of basic excise duty have been substantially increased, the rates of additional excise duty have tended to remain stagnant".

a national debate

Dr Mitra is right in pleading for a national debate on the centre-state fiscal relations. In the meanwhile, the government of West Bengal should make energetic and imaginative efforts to improve the viability of the existing industries and to create a climate favourable for new investment on a massive scale. Mr Jyoti Basu, the chief minister, has reiterated that the state government will not stand on ideology and that it will encourage even the large houses and multinationals to operate, subject only to the laws of the land.

But, consider what Dr Mitra said in his budget speech: "I may here explain our basic attitude towards the monopoly houses and the multi-national corporations. We are against their further expansion in the country and, in view of the prevailing confusion, would request the centre to clarify national policies with respect to them. At the same time, till as long as they are allowed to operate in the country, we see no reason why their profits, which are the result of exploitation, should not be ploughed back, under conditions of strict supervision, for the expansion of industrial opportunities in West Bengal.

What exactly did the Finance minister mean when he said that the monopoly houses and multi-national corporations would have to plough back their profits under "strict supervision"? West Bengal has a greater number of large houses than the other states. West Bengal has also more backward districts. The problem of unemployment there is more acute and widespread. Therefore, the Left Front government should examine whether it will be prudent to follow policies which may deter the flow of more private investment. Dr Mitra disclosed that henceforth appointments to the Class III and Class IV categories in the government should be from among those registered with the employment exchanges and that a "strict order of queuing will be followed in choosing from this roster". He urged upon the private firms that they should follow a similar procedure. How far is this feasible? Will it help the private firms to recruit employees of the right type and with minimum delay?

The budget has rightly given high priority to the development of agriculture and the rural areas. Dr Mitra said that the government proposed to concentrate on the villages because "the state of deprivation and neglect is acutest there. It is proposed to implement a comprehensive programme of rural works in order to revitalise the water resources and to provide work for the landless especially in the lean months.

earnest effort

Construction and improvement of small roads, provision of drinking water and facilities for education are also going to be taken up in right earnest. The central budget for 1977-78 contains certain incentives to encourage companies to undertake work of rural welfare and also to set up industries in the rural areas. It should be possible for the state government and the industrial associations to act together, as far as possible, in implementing programmes for the development of rural areas. For example, the establishment of a petrochemical complex in Haldia which is a backward area will throw up enormous opportunities for setting up small scale industries and for undertaking other activities for the uplift of the villages. West Bengal has better prospects for achieving faster progress if government and industry work together in a spirit of close cooperation.

CAPITAL'S CORRIDORS

R. C. Ummat

Industrial policy • SAIL's operations • Exports to Americas and West Europe • IBM and FERA

THE INDUSTRIAL policy of the Janata government, currently under preparation, is likely to be announced next month. An indication of this was given at a press conference here last week by the minister for Industry, Mr George Fernandes.

The major thrust of the policy, Mr Fernandes said, would be encouraging the development of village, cottage and small industries so that employment could be provided to a large number of people. Specific lines of production were envisaged to be earmarked for these sectors.

The minister, however, did not be-little the importance of the public and the large private industrial sectors in fostering the growth of the economy. All the sectors, he said, had a significant role to play. As between the public sector and the large-scale private sector, he pointed out that other things being equal, preference would be always given to the establishment of large units in the public sector. The lines of production which were not exclusively reserved for the village, cottage and small-scale sectors would be open for investment in the large-scale sector.

no change in FERA

Mr Fernandes stressed that he was not thinking of any change in the definition of the large industrial houses as well as in the Foreign Exchange Regulation Act (FERA).

Contrary to his observation a few weeks ago that there was no need for amending the Industrial Policy Resolution of 1956 as it was a comprehensive resolution, the minister stated that, if necessary, the government would not hesitate to change this resolution.

He laid a good deal of emphasis on micro planning of industrial development. A beginning in this direction, he said, was being made in north Bihar with a view to creating job potential for a million persons.

programmes for other states

Plans were also being drawn up for a similar programme in east UP. The other state governments were also being asked to draw up schemes for the development of their backward areas on the pattern of north Bihar programme. He assured that finance would not be a problem: all the necessary funds would be made available. The scheme envisages not only encouraging the establishment of small-scale units and provision of appropriate technical advice and financial resources for their establishment but also catering for the marketing of their products.

In regard to foreign investments, Mr Fernandes pointed out that no significant departure from the existing policy was contemplated. Foreign investments would be welcomed in accordance with the FERA regulations and in fields of sophisticated technology. Otherwise, what was proposed to be sought was only technical collaboration.

The minister estimated that the industrial growth in the current financial year would be approximately eight per cent, as against ten per cent last year. The major difficulty that was being experienced was shortage of power in various parts of the country. This had affected production. To some extent, labour unrest too was responsible for the lower rate growth. But he stressed that the deterio tion in the labour situation was not much as made out by certain quarte Some increase in industrial unrest, said, was not to be ruled out after t revocation of emergency but by a large the situation in most parts of t country was quite satisfactory. In so isolated pockets, it indeed had deterior ed sharply.

The growth in production in the engi ering sector during the first part of t current financial year, the minister sa was around nine per cent and the over industrial growth of the order of five p cent. The optimism of about the over rate of growth in the industrial sec going up to eight per cent was bas on the fact that after the rainy season, t power supply situation had eased sig ficantly in most of the states.

Considerable thought has been bestow last week at a conference of the sta industry ministers which was called Mr Fernandes to discuss the measur which were required to foster the develo ment of village, cottage and small indu tries and also for the development backward areas. Training programm for artisans as well as augmenting finances for the establishment of the units figured prominently in the discu sions at the conference. Mr Fernand promised to discuss the question of ava ability of funds with the banking industr

* *

The Steel Authority of India (SAI has turned in an impressive performan during 1976-77. The chairman, M R.P. Billimoria, told the fifth annu general meeting of the undertaking la week that the net profit during the yea aggregated to as much as Rs 73.26 crore —an increase of Rs 42.97 crores (141 per cent) over the previous year—aft providing a sum of Rs 16 crores towar investment allowance and contingenci besides making the other normal prov sions such as depreciation. All the con tituent units excepting two registered a improvement in their profit—the Bhil steelworks to Rs 49.05 crores fro Rs 28.22 crores, the Rourkela steelwor to Rs 33.13 crores from Rs 28.33 crore the Rourkela fertiliser plant to Rs 2.

crores from Rs 2.41 crores; the Durgapur alloy steel plants to Rs 4.17 crores from Rs 3.97 crores and the Bokaro steelworks to Rs 1.76 crores from a loss of Rs 16.94 crores. The Hindustan Steelworks Construction Ltd (HSCL) showed a profit of Rs 1.01 crores. The Metallurgical Engineering Consultants (India) Ltd (MECON) Rs 92 lakhs and the Metal Scrap Trade Corporation Ltd (MSTC) Rs 30 lakhs. Although the Durgapur steelworks too showed considerable improvement in its operations, it could, however, only reduce its loss during the year to Rs 7.73 crores from Rs 20.06 crores in the previous year. The National Mineral Development Corporation (NMDC) incurred a loss of Rs 1.77 crores, as against a profit of Rs 68 lakhs during the previous year. But this was due to the commissioning in January, 1977, of Bailadila-5 which incurred a loss of Rs 2.93 crores.

significant improvement

A significant improvement of the order of 19.8 per cent was recorded in the production of saleable steel at the six main integrated steelworks namely, Bhilai, Rourkela, Durgapur, Bokaro (the SAIL units) and Jamshedpur and Burnpur, the aggregate output registered being 6.922 million tonnes. This level of output was not only higher than the previous year's production but also more than the target figure of 6.465 million tonnes. The SAIL plants increased their production from 3.792 million tonnes to 4.83 million tonnes. The alloy steels plant raised its output to 51,869 tonnes—an increase of 10.8 per cent over the previous year. Capacity utilisation at the steelworks of SAIL, excluding Bokaro, amounted to 92.4 per cent, as against 91.9 per cent for all the integrated steelworks, excluding Bokaro some units of which were under gestation or construction during the year.

The tempo of production, Mr Billimoria observed, had been kept up during the first three months of the current financial year. The output of saleable steel during these months at all the plants had been running ahead of the targetted rate.

The overall output of saleable steel at the integrated steelworks is proposed to be raised this year to 7.373 million tonnes—an increase of 6.5 per cent over the last year's production of 6.922 million tonnes. The total availability of saleable steel this year including imports and the output of mini steel plants, is expected to be 10.25 million tonnes, as against 9.33 million tonnes last year.

The factors contributing to the improved performance of SAIL, Mr Billimoria said, were higher capacity utilisation resulting in record production, continued good industrial relations resulting in increased labour productivity and sound financial management yielding significant economies.

Due to the encouraging production trends last year, exports reached as high a level as Rs 331.8 crores—Rs 260.58 crores on account of exports of steel and Rs 71.22 crores on account of exports of pig iron. In view of the increased offtake in the domestic market in the recent months and owing to limited imports, the export target of 2.5 million tonnes of iron and steel set for the current year might have to be reviewed soon. Thanks primarily to the improved domestic offtake, the accumulated stock of 1.53 million tonnes as on March 31, 1977, is stated to have come down to 1.446 million tonnes at the end of July.

higher productivity

Mr Billimoria further stated that a number of technological improvements were introduced during the year leading to higher productivity, increased equipment availability and import substitution. At Rourkela the LD convertor availability was improved by increasing the lining life to an average of 173 blows from an average of 142 blows in the previous year. There, of course, was further scope for improvement. Equipment availability showed an improvement at Durgapur and Bhilai also. At Durgapur the laddle lining life was improved from 7.72 heats in 1975-76 to 14.5 heats last year. At Bhilai the availability of open hearth furnace improved from 87.9 per cent to 88.5 per cent and the consumption of manganese ore per tonne of hot metal was brought down from 42 kgs to 37 kgs. The total production of tested quality of steel from the four main plants under the SAIL went up by 24.8 per cent during the 12 months to March 31, 1977.

Several new products were developed to meet the specific requirements of consumers, resulting in reduced imports. Important among them were high strength low alloys, thinner gauges of galvanised sheets and open top sanitary can quality of thinner gauges tin plates at Rourkela. Newer sections at the merchant mill at Bhilai and Durgapur were developed to meet the requirements for transmission towers.

reducing costs

To impart more dynamism and thrust to the research and development schemes, a programming committee was constituted under the chairmanship of Mr Billimoria with the general manager (R&D), as its member-secretary. The R & D wing undertook several programmes with a view to reducing costs and increasing productivity through better utilisation of the indigenous raw materials and by developing new products. Some of the important projects on which further progress was recorded during the year were the LD lining life improvement at Rourkela and Bhadravati, development of high strength low alloy steels at Rourkela, coal dust injection in the blast furnaces at Rourkela and Bhilai to reduce consumption of coking coal, de-ashing of coal, beneficiation of iron ore and development of sponge iron. A technical information and documentation centre for the iron and steel industry was also set up at the R & D centre at Ranchi.

The industry made a major breakthrough in October last in the field of export of consultancy. The MECON was awarded a contract to be consultants to the government of Nigeria for setting up an integrated steel plant of one million tonnes ingot capacity. Several other countries have shown interest in MECON's services.

At home, MECON continued to play a major role in the development of the steel industry. Apart from detailed engineering assignments in respect of a number of major projects, specially the four million tonnes expansion of Bhilai and a similar expansion of Bokaro,

the MECON provided its services for the seamless tube plant of Bharat Electricals Ltd and the Korba plant of Bharat Aluminium Company.

In sharp contrast to the feeling in some circles that the Indo-Soviet economic relations have suffered a setback following the decision of the union ministry of Steel to go ahead with the expansion of Bokaro steelworks to four million tonnes ingot-making capacity on our own, a formal protocol has been signed here last week between the two countries for strengthening collaboration between them in the fields of ferrous metallurgy and allied technology. The protocol provide for increasing participation by the Soviet organisations in the development of our steel industry and also for improving the production of this industry quantity-wise and quality-wise. The Soviet Union will be cooperating with such Indian organisations as the NECON, the EPI and the Research and Development Centre of SAIL in updating the technology at present being adopted here in the production of steel. It is also understood to have offered a loan of 200 million roubles for the setting up of an export-based steel plant in India.

* *

Addressing newsmen here last week soon after his return from a tour of the United States and some west European capitals, the minister for Commerce, Civil Supplies and Cooperation, Mr Mohan Dharia revealed that the government might enact a legislation to ensure strict adherence to quality control by exporters. He conceded that a good deal still remained to be done in regard to the quality of many of our export items. If the present control regulations were found to be inadequate, he would approach the ministry of Law to draw up a suitable legislation. He proposed to make this approach within two months.

Mr Dharia also announced that adequate arrangements were being made to ensure that all quantities of cotton, edible oils and jute which were offered by the farming community at support prices were purchased by the governmental agencies. This, however, did not rule out some purchases even at prices somewhat higher than the support levels in the interest of building up stocks for releases during the lean seasons. Suitable guidelines, he said, had been issued to the purchasing agencies in this respect.

important decisions

Referring to his confabulations with the commercial representatives and the heads of our missions in the North and South Americas, which was one of the principal objectives of his visit to the USA, Mr Dharia observed that several important decisions had been taken in these confabulations. They included: (1) a coordinated and integrated approach to commercial publicity and export promotion in the USA and the Latin American countries by the various commercial organisations of the public sector through housing their offices in one building and sharing of such service facilities as telex, information centre, display room, etc., but at the same time retaining their individual identity;

(2) tapping in a more concerted manner the growth potential of our trade with the mid-west and the west coast areas of the USA;

(3) charging by the Shipping Corporation of India the same freight for cargoes to the Latin American continent as applicable to the North American ports, the subsidy involved in this regard being borne by the government and the Shipping Corporation; and

(4) creating a cell in the Indian Institute of Foreign Trade to handle export promotion programmes in the Latin American region.

During his visit to the USA, Mr Dharia also held discussions with the special Trade Representative of President Carter, Mr Robert Strauss, and the US Secretary of State for Commerce, Madam Juanita Kreps. He explained to them India's concern over the emergence of the trend towards protectionism in the developed countries as was manifested recently in the imposition of restrictions on the imports of textiles from the developing countries. He impressed upon them the high importance the textile industry was being accorded by the developing countries like India with a view to ensuring decentralised pattern of industrial growth a providing employment. He felt that problem was well appreciated by Robert Strauss and Madam Kreps.

The question of exports of handlo products and textiles, Mr Dharia furth stated, was also discussed by him the various west European capitals lines similar to the discussions in USA. He felt that he was able to impr upon his counterparts in western Euro that the unilateral restrictions impos by the European Economic Commun on imports of textiles from develop countries had adversely affected th interest. He pointed out that the Tex Surveillance Body had confirmed Indi stand that the EEC's claim of market d ruption by Indian exports had not be clearly established.

Another important point impres upon his counterparts in the USA a western Europe by Mr Dharia was efforts made by the present governm in India for the restoration of democra norms in the country. He hoped t India's point of view would be giver sympathetic consideration by the E when the final decision in regard to qu restrictions relating to our textile expo is taken by it by the middle of month.

* *

The government is understood to h decided against the relaxation of FE provisions in the case of Internatio Business Machines (IBM). While it no objection to the US company retain 100 per cent equity in case its produ are fully exported, it does not fav imports of computers for sale in country unless the company agrees dilute the foreign equity according to provisions of FERA. The latter applies to the servicing of the alre installed computers of the company.

The company, however, is said to been given some time to modify its st in conformity with the FERA provis and submit alternative proposals in re to trading in computers in India as wel the servicing facilities.



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BHARAT EARTH MOVERS LIMITED
Bangalore

Steel on the march : Durgapur doing better

R. C. Ummat

Mr Ummat discussed the expansion plans of Bokaro last week. Here he examines the economics of the steel complex at Durgapur. While production is going up and industrial relations are stabilising, the mild steel plant can reduce its losses only if it is able to secure better prices for its products sold to the railways. Prospects of profits, however, would still remain elusive because of other circumstances. The alloy steel plant, however, is in better shape financially, while its capacity utilisation has gone up sharply; production costs, particularly of stainless steel, are still high.

LIKE THE Bokaro steelworks, the Durgapur mild steel plant — the proverbial sick child of the public sector—has taken rapid strides in building up production in recent years. The result has been that last year it produced 0.901 million tonnes saleable steel from an installed capacity of 1.239 million tonnes. This represented approximately 72.7 per cent utilisation of capacity. The step-up in production and despatches during the last three years is indicated in Table I.

The production at the various units of the Durgapur steel plant last year registered all-time peaks. This year the output of saleable steel is targetted to be raised to 1.023 million tonnes and that of ingot steel to 1.25 million tonnes. The optimum utilisation of capacity to the order of 90 per cent is expected to be attained in the next three years.

decreasing loss

The above build-up in production has helped in bringing down the annual loss of the plant from the peak level from Rs 27.52 crores in 1971-72 to just Rs 7.74 crores last year. The annual loss during the intervening period was of the order of Rs 25.72 crores in 1972-73, Rs 18.44 crores in 1973-74, Rs 14.32 crores in 1974-75 and Rs 20.06 crores in 1975-76. With a further increase in output the loss this year, according to the estimate which held the field till lately, was expected to be around Rs 4.45 crores. As a sequel to the government's decision of bonus, it is likely to go up by at least Rs 2.5 crores.

Several steps have been taken by the plant management to curtail the annual loss. In addition to the stepping up of output through better utilisation of the installed capacity, these include (i) intensive maintenance, including preventive maintenance, (ii) efforts at balanced production in the various sections, (iii) reducing the coke rate from 956 kgs per tonne to 896 kgs last year, with further plans to bring it down to 875 kgs this year), (iv) increasing the output of tested quality steel; (v) raising the productivity of labour and at the same time curtailing over-time payments, (vi) improving the disposal of secondary and waste products, (vii) diversification of the product pattern with emphasis on the production of higher value items; (viii) containing the expenditure on spares and components through reconditioning them and on lubricants through salvaging for re-use in secondary operations, minimisation of leakages, etc. The cost of production per tonne of ingot steel has been brought down through these measures by about two per cent during the last three years. A marked reduction in this cost (of the order of 6.5 per cent) was expected this year. But this may not fully materialise in view of the bonus payment.

POINT OF VIEW

The accumulated loss of the plant as on March 31, 1977, was as much as Rs 2[illegible] crores. Of the last year's loss of Rs 7.[illegible] crores, nearly 40 per cent (Rs 3 crore[illegible] was accounted for by the supplies [illegible] wheels and axles, sleepers and fishplates [illegible] the railways, notwithstanding the fa[illegible] that the output of these items quantit[illegible] wise was just about six per cent of t[illegible] aggregate production and value-wise or[illegible] about Rs 9 crores out of a total turnov[illegible] of Rs 138 crores (net). The remaini[illegible] loss was accounted for by most of t[illegible] products— blooms and billets supplied [illegible] rerollers, the marchant mill products, t[illegible] light and medium structural products a[illegible] skelp.

rationalising prices

The loss of the Durgapur plant, app[illegible] rently, can go down substantially if [illegible] prices of the materials supplied by it[illegible] the railways are rationalised. An idea[illegible] the injudicious pricing of these produ[illegible] can be had from the fact that wheels a[illegible] axles are being supplied by the steelwo[illegible] to the railways at a net price of Rs 3,[illegible] per 20-tonne set fixed as far back as 19[illegible] On a representation from the plant aut[illegible] rities, the railways paid last year [illegible] additional Rs 2.1 crores for the supp[illegible] received by them during the year, wh[illegible] has raised the price of a 20-tonne wh[illegible] and axle set to Rs 4,198. A for[illegible] notification in this regard, however, [illegible] yet to be received by the plant authori[illegible] On the revised provisional price, the e[illegible] receipts of the steelworks this year[illegible] expected to be around Rs 3.25 crores.

The contention of the railways is [illegible] to be that they have to fix the price[illegible] wheels and axles taking into considera[illegible] the optimum utilisation of installed c[illegible] city. There is, however, a differenc[illegible] opinion in this regard. While the pr[illegible] report capacity is 70,000 sets a year[illegible] effective capacity as assessed by [illegible] Sondhi Committee is only 40,000 [illegible] which can be raised to 50,000 sets [illegible] some small additions to equipment

has also to be noted that standardisation of wheels and axles has a vital bearing on the optimisation of the utilisation of production facilities; so also the availability of adequate orders. In this respect too the situation leaves much to be desired.

The orders of the railways on the steelworks, despite it being virtually a captive unit of the railways owing to their monopolistic position as a buyer, are grossly insufficient, while the varieties asked for are several, instead of two—metre and broad gauges—for the manufacture of which the production facilities were designed originally. The current orders do not exceed 20,000 sets per annum, but a significant portion of these is for loose wheels or axles. Export orders have been helpful to some extent. Yet the current level of demand, surely, is not conducive to the optimum utilisation of the available capacity. The orders for loose wheels or axles have resulted in insufficient work on the assembly lines. The failure of the railways to lift even the indicated requirements, which were not backed up by firm orders, too has resulted in the accumulation of a significant number of sets and their piling up as inventory, besides nearly 200 workmen on the assembly line not being provided adequate job.

The inadequacy of orders from the railways can by partly attributed to the curtailment of their development programme; to some extent, as a result of the excess capacity accruing in the last two years due to the maintenance drive during the emergency and also owning to the general fall in the tempo of developmental activity. The primary reason, however, is said to be the railways having entered into large import commitments about three years ago.

The railways are stated to be paying for these imports a c.i.f. price of about Rs 12,000 per 20-tonne set, the ex-factory price at the export-end being Rs 7,000. As against this, the Durgapur steelwork is being paid, even after the provisional raise in the rate, an ex-factory price of only Rs 4,198. The plea of the Durgapur management some time ago that the railways could cancel the orders with the foreign firms on the understanding that the penalty to be incurred on this score would be borne by the steelworks, was not accepted despite the fact that indigenous purchases would still have been less expensive. Presumably, the capability of the Durgapur project in supplying at that time the requisite number of sets was suspect. This misgiving, of course, has been proved to be misplaced.

The case of the Durgapur management for a raise in the price of wheels and axles, however, is based on the fact that the price being realised by it does not provide for the escalations that have taken place in the cost of inputs since 1970, the year when the last price of Rs 3,029 per 20-tonne set was fixed. The Joint Plant Committee's price for the blooms going into the manufacture of wheels and axles then was Rs 479. It has since been raised to Rs 969. What the Durgapur management wants is that the latter price of the basic raw material should be taken into consideration for arriving at the new prices of wheels and axles.

A legitimate demand, indeed, for the prices of billets and blooms are fixed by the JPC for the steel industry as a whole and not for any individual plant. Even though the other escalations claimed by the Durgapur authorities in the cost of of wheels and axles have been rejected by the railways, the JPC price of Rs 969 per bloom itself should raise the price of a 20-tonne wheel and axles set to Rs 5,960—an increase of Rs 1,762 over the provisional price on the basis of which payments are currently being received by the plant. Inclusive of the other escalations as well as the excise duty, the price would be Rs 7,220 per set—still much lower than the landed lost of imported sets.

unremunerative product

The manufacture of railway equipment is not the only losing proposition for the Durgapur steelworks. Its product-pattern even otherwise has become unremunerative to a great extent, either because of the pricing pattern or due to inadequacy of demand. The skelp mill unit of the project is now almost dead, as with the commissioning of the hot strip mill of Bokaro, pipe manufacturers are preferring strips rolled there as they are of larger width and have excise duty advantage. The two other major sections of the plant—the merchant mill and the medium and light structurals section — too are saddled with the problem of rolling more quantities of light rounds and structurals which are not profitable propositions.

The profitability of the project has been affected adversely by two other factors: (i) the increase in the electricity charges of the DVC; and (ii) reclassification by railways of PCM, limestone and dolomite for freight purposes. The project also does not have adequate control over the quality as well the quantities of iron ore, limestone and dolomite supplies as it does not have any captive mine.

The viability of the Durgapur steel plant, on which an investment of over Rs 400 crores has been made, obviously cannot be improved without rationalising the prices of its products and also suitably changing its product-pattern. The commissioning of a sodium phenolate

TABLE I

Durgapur Steelworks: Production and Despatches

(in '000 tonnes)

Item	Annual production			Donates increase in production during 1976-77 over	
	1974-75	1975-76	1976-77	1974-75 %	1975-76 %
Washery Input (dry)	885,559	1,131,678	1,140,492	(+) 29	(+) 1
Hot Metal (Gross)	921,663	1,028,148	1,220,165	(+) 32	(+) 19
Ingot Steel (Rollable)	819,341	1,000,734	1,091,450	(+) 33	(+) 9
Blooming Mill (Charge Weight)	716,850	949,223	1,072,085	(+) 50	(+) 13
Saleable Steel	520,369	751,488	901,380	(+) 73	(+) 20
Despatch (Saleable Steel)	556,224	780,371	742,935	(+) 70	(+) 21

plant last year was a small step in the latter direction. The management has got two schemes in view: (i) modification of the skelp mill into a combination mill at a cost of about Rs 6 crores; and (ii) doubling of the capacity of the medium structurals mill at an expence of Rs 60/65 crores. These schemes are expected to bring down the break-even point of the project from slightly above 90 per cent capacity utilisation to nearly 86 per cent.

The research and development efforts at the plant are being accelerated. Several research and development projects are already on hand. The important among these are: (i) operating blast furnaces with high 'Mgo' slag regime by charging dolomite to make low 'Si' iron with lower coke rate and higher productivity; (ii) simultaneous desulfarisation and desiliconisation of blast furnace hot metal at the mixer bay in the steel melting shop, to reduce the metallurgical load on open hearth furnaces; (iii) improvement in axle steel making and finishing (by top pouring practice) to reduce rejection at various stages; and (iv) investigations for reducing the width variation in skelp mill.

marked improvement

Industrial relations at the plant, which bedevilled its operations around the turn of the current decade, of course, have shown a marked improvement in recent years. Last year there was no man-hour lost. The situation has continued to be comfortable hitherto since the revocation of emergency, as during the first quarter of the current calendar year only 64 man-hours were lost. An elaborate machinery has been set up — as at the other steel plants — for sorting out workers' grievances. The benefits of the production incentive scheme too are being well appreciated by the employees.

To keep up the tempo of production, the plant directly exported last year 188,398 tonnes of its products, valued at Rs 27 crores notwithstanding the fact that it incurred a loss on these exports to the tune of Rs 28 lakhs over the JPC prices.

The alloy steel plant at Durgapur, which was set up in the first half of the sixties at a cost of Rs 65 crores (of which the cost of equipment and machinery was Rs 45/46 crores) to produce 100,000 tonnes of alloy steel ingots and 60,000 tonnes of saleable alloy steels, too has turned in a fairly satisfactory performance since 1973-74 when it was able to overcome several constraints on its operations — the constraints of power supply, gas scarcity, market recession, breakdown of a furnace, industrial unrest, etc. This is evident from Table II.

This plant, thus, worked last year to nearly 95 per cent of its rated ingot-making capacity and approximately 86 per cent of the saleable steel capacity, as against about 55.26 per cent and slightly less than 60 per cent, respectively, three years earlier. Concerted efforts were made to step up the output of stainless steel sheets and plates, the most profitable lines of the project.

profit-yielding project

The progressive increase in production and containment of the working capital requirements (which in an alloy steel-making venture are larger compared to a mild steel plant owing to its longer production cycle, dependence on some critical imported raw materials, especially for producing stainless steel, and special characteristics of the market) through such measures as standard costing and budgetary control have enabled the project to yield a profit of Rs 1.95 crores in 1974-75, Rs 3.98 crores in 1975-76 and Rs 4.17 crores (provisionally estimated) in 1976-77. The loss accumulated upto 1973-74 (Rs 41 crores), thus, had been brought brought down by March 31, 1977, to about Rs 31 crores.

The recent controversy resulting from the scaling down of the import duty on stainless steel sheets should suggest that part of the profits in 1975-76 and 1976-77 accrued to the project from the tight supplies from domestic sources, which pushed up their prices and encouraged smuggling activities of stainless steel sheets and plates of thinner gauges. The rise in prices being quite sharp in 1975-76, the then import duty of 220 per cent ad valorem on stainless steel sheets and 75 per cent ad valorem on plates and strips enabled the authorised importers reap a rich harvest.

mopping up operation

The government then was obliged to raise these duties in the 1976 Finance Act to 320 per cent and 120 per cent ad valorem respectively, in the interest of mopping up the high premium which the imported materials enjoyed over the domestic supplies and also to encourage under the protection of the custums umbrella indigenous production. Even though the Finance minister initially attempted this year to scale down the import levy on stainless steel sheets, plates and strips from the above levels to rates ranging between 120 per cent and 40 per cent ad valorem, depending upon thickness, ultimately what he did was that he fixed a uniform duty of 220 per cent ad valorem on the imports of the three items.

It must, however, be conceded that, during 1975-76 and 1976-77, the prices of some of the essential imported inputs of the Durgapur alloy steel plant also went up significantly as a result of the global inflationary tendencies. The benefit which the project derived from the scarcity conditions in these two years and the stepping up of the import duties last year, therefore, was not very spectacular. The primary reasons for its improved profitability, thus, were the better utilisation of the installed capacity and stricter standard costing and budgetary control. The re-

TABLE II

Durgapur Alloy Steel Plant's Production

(in tonnes)

	1973-74	1974-75	1975-76	1976-77
Ingot Steel	55,262	78,358	90,316	94,814
Saleable Steel	35,074	36,693	46,828	51,871
of which Stainless Steel Sheets/Plates	3,856	5,011	5,818	6,175

duction in the working capital requirements effected last year is stated to be from Rs 42.6 crores to Rs 39.2 crores.

The overall improvement in the performance of the project is also evident from the financial indices during the last three years given in Table III.

It will be erroneous, however, to assume that all is well with the project. The modifications in the import duties on stainless steel sheets, plates and strips, which have been effected this year, threaten to again turn its finances into red. This is because the production costs of the project are quite high. To face the competition from imported stainless steel items, the project authorities have been forced to reduce the price of its sheets from Rs 44 to Rs 39 a kg and of plates from Rs 32 to Rs 27 a kg.

The project authorities, however, cannot be blamed for the unduly high cost of production, particularly of stainless steel. The fault lies elsewhere.

The two primary factors responsible for the travails of the plant are: (i) inordinate delay in expansion for which a good deal of provision had been made in the initial designing; and (ii) the sea-change that has taken place in the world in the manufacture of stainless steel sheets and plates in the recent years, making the facilites available at Durgapur completely obsolete. To some extent, the high cost of production of stainless steel at Durgapur can also be attributed to the high cost of imported alloying materials.

TABLE III

Financial Indices of Durgapur Steel Plant

	1974-75	1975-76	1976-77 (tentative)
Gross margin to capital employed	%9.7	10.1	12.3
Sales to capital employed	%48.2	59.8	68.9
Working capital to sales	%84.1	80.2	67.6
Inventory to sales	%84.1	86.7	74.4
Debtors to sales	%18.0	21.8	20.8

in-built capacity

When the Durgapur alloy steel plant was conceived, it was not only difficult to interest private entreprenurs in this line of manufacture but also the developmental plans had been pitched high. Both these factors apparently prompted the project report to be drawn up with a considerable in-built capacity for expansion so that when the expansion was undertaken, production from the existing facilities was not upset to any significant extent. The ultimate expansion envisaged was to 300,000 tonnes ingot capacity. Facilities had also to be created to manufacture a wide variety of products covering a large array of sizes and grades, as it was felt that such facilities elsewhere in the country might not come up for some time. The investment on the project, though quite modest according to the present standards (evidenced from the fact that the slabbing mill alone may cost today as much as the entire plant and equipment cost when it was set up in the early sixties), thus, got inflated. In the absence of expansion, a good deal of equipment is not being fully utilised, resulting in vitiation of production costs in general.

As regards the manufacture of stainless steel, the vaccum refining and continuous casting processes adopted in most of the advanced countries, particularly the United States and Japan, have brought down production costs markedly, whereas the conventional methods for ingot and slab making continue in operation at Durgapur along with the pre-war obsolete manual operation of the sheet mill. The new technology not only raises considerably the saleable steel output through bringing down process losses but also reduces significantly the manufacturing cycle and time.

The only hope of making the Durgapur alloy steel plant a profitable venture in the circumstances lies in its expansion. Artificial props for its profitability in the form of protective import duties are no answer, for the interests of consumers who have already paid dearly for their requirements and of the economy as a whole cannot be ignored for all times. Ultimately, it is the consumer who has to bear the burden of any investment.

The project authorities have plans in both respects. A MECON study is stated to have assessed the additional capital requirements of the expansion of the plant to 180,000 tonnes ingot capacity at Rs 220 crores and to 400,000 tonnes capacity at Rs 298 crores. This investment, however, can be brought down very markedly by avoiding the setting up of a semi-continuous hot strip mill, the facilities at Bokaro or Rourkela being utilised for this purpose.

A decision on the issue can be taken only by the government as the capital resources have to be provided by it. It has also its implications on the establishment of the Salem special steel plant.

As a step towards the financial stablisation of the project, the management, however, has decided to go in for the utilisation of one of the two idle shifts of the primary mill by spending a sum of Rs 8.46 crores, Work has started on this programme.

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News is free, but news agencies cannot be cheap

C. Raghavan

The author believes that there is no need to split the Samachar news agency provided its functioning is streamlined. If the Samachar is to be split, then the Kuldip Nayar commitee recommendation is the second-best alternative. The author feels that newspapers should be free to start supplementary news services to provide competition to the Samachar-Varta-News India setup.

IN CONSIDERING the recommendations of the Kuldip Nayar committee on news agencies, one has to bear in mind that the committee did not have a clean slate to write on. *Samachar* is an excess of the emergency, which has outlasted the emergency. It was created by a forcible merger of four wire services. This merger was brought about by the misuse of the panoply of emergency powers, and was motivated by the desire to manipulate the media and build up a personality cult, and in a manner far beyond what could be achieved even by draconian censorship provisions.

Undoubtedly those in government and political leadership at that time must take the responsibility. But there were also others involved and responsible. One hopes that the Shah commission would look into this matter and do a better job than the Dass committee and the Information & Broadcasting ministry did in its white paper. Those who ran the emergency regime must take the blame; but one cannot absolve others in the newspaper world, on the managing committee of *Samachar* or in executive positions (then or now). Many of them did what they did for self-aggrandisement. They sacrificed for personal interests not only professional norms but the ethics of human and social conduct.

The behaviour of some of these then, and their continuance even now in positions of authority and reward, despite their grave professional misdemeanours (to some of which the Nayar committee has drawn attention), have further demoralised the staff. Therefore, without a catharsis no reformation of the news structure is at all possible. Also, apart from some of the misdemeanours of the emergency, there are others relating to the earlier pre-merger situation, particularly those relating to fiduciary transactions, which also must be gone into. There are also audit reports and objections that have been suppressed. Without inquiry to fix responsibility—and there can be no objection since the government has now decided not only to look into abuses during emergency, but even before—it will not be possible to inculcate into the reformed agency structure that degree of personal and professional integrity and morale without which no news agency can function.

issue of information

In considering the type of news agency structure the country must have, one should consider the basic issue of information itself, and not merely proceed from the "media approach" that has characterised both the majority and minority reports. The concepts of freedom of expression and freedom of press are 18th and 19th century concepts, based on the right of individuals to propagate their views and convert others to their viewpoint. This necessarily implies protection and defence of the right of dissent. Our traumatic experience during the emergency has hopefully helped us to realise the importance of this right.

Late in the 19th century, and early in the 20th, when newspapers began to assume the characteristics of commercial enterprises and mass media, the concept of freedom of press was gradually expanded to include freedom to gather information and diffuse it. In the beginning this was considered to be the right of the publisher (and his employees). But soon the realisation grew that the freedom of information and the right to diffuse it, was no so much an individual right but a valuabl service to society and a right of societ itself. This was enunciated by the U Supreme Court in a momentous decisio on the applicability of anti-trust laws t newspapers and news agencies (Associate Press *V.* United States 326 US 20).

inadequate concept

But even this concept, important thoug it still is, has been found inadequate. I a democratic state the citizen must be abl to participate in the decision-making pro cess—and not merely at the time of elec tions when he exercises his ballot. To d so effectively, the citizen must have infor mation that will enable him to participate wisely and knowledgeably, in decisio making. This is a continuous proces This has given rise to the complementar concept (to Freedom of Expression an Press) of the right to information, th right of the individual, and society, t inform and to be informed.

Information here serves a social purpose It must provide the constant flow, bot up and-down and laterally, to enable ind viduals and their social units to tak meaningful decisions in their own every day life. It must promote, educate an inculcate the basic norms and values, an fight preconceived ideas, ignorance an alienation. It must subserve too the cu tural function of preserving and fosterin past traditions and enabling and enhancin their growth without which national iden tity and social confidence will not lon survive. It must also promote innovatio in all these fields and dissent often serve the purpose of promoting innovation too

Hence though originally conceived o in terms of enabling the citizen to inte ligently participate in the affairs of sta and the decision-making processes, th very organisation of civilized life depend on the right to information. Hence it i now considered a social right just as muc as the right to food, shelter, work, cloth

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Starting from the position that freedom of information and right to information are a part of the concept of freedom of expression, current juridical thinking even in western countries is now swinging around to the view that freedom of expression of individuals is basically a part of the social right to information of the citizens. The citizens have a right to know, not only what the majority in an organised way thinks or propagates (the majority or the ruling group obviously need no protection of their rights) but also the minority or the dissenting viewpoint. Thus the right to propagate varying viewpoint arises from the social right to information.

Once this juridical concept is understood in its totality, the issue of preservation of the basic social right to information and the individual right of feedom of expression fall into shape. Judged by this concept, the manipulation of the media during be emergency, and manipulation and fabrication of news by *Samachar*, can be seen as an assault on society as a whole. This means that even if it is assumed that the emergency regime had majority backing—and perhaps it had in the beginning—it still was an assault on society as a whole in that dissenting viewpoints and information on many of these matters were suppressed.

wide agreement

There is undoubtedly wide agreement in the country, particularly after emergency experience, that news or information is one field where government should have no hand. But in the light of our experience of *Samachar*, it is not enough if the government has no direct control. It should have no invisible control either. It is not enough if the minister does not interfere. He must make sure his officials do not, as they did long before the emergency in insidious ways. Also, it is not enough for the government to adopt a hands off *laissez faire* policy either. Positive steps have to be taken to inculcate independence in the information field and to prevent other political interferences, whether it be by the opposition or some in the ruling party either or control by a small group of business or other interests.

Apart from ensuring this freedom from governmental or other elitist controls, undoubtedly there should be no monopoly in news. There should be freedom for anyone to gather and disseminate news. But the concept of competition in news is one thing; the idea that this concept will be satisfied only by having two news agencies is quite another matter. Excepting for the United States, there is in fact no country with two or more competitive news agencies (in the classical economic sense in which 'competition' is used). There may be supplemental news agencies, that also provide an element of competition to the main news agency. But that is not the same thing as to say there are competitive new agencies.

a duopoly

Even in India before the emergency, while we had PTI and UNI, they were not really competitive in the sense in which the word 'competition' can be understood. At best essentially they were a duopoly. The PTI was owned by a large number of newspapers, and the UNI by a handful from amongst them. There was hence no competition in capital or even in management, though there were different general managers. There were not even enough consumers who, by choosing between two different commodities available for sale, express a preference, and thus, through laws of market, force a better quality on the other, or force the inferior one (the price alone is not the factor but the quality of the product for the price is inevitably a factor) to go out of business, thus bringing about diversion of capital to a more profitable undertaking.

In April 1975, there were 255 newspaper subscribers subscribing to one or the other (PTI or UNI) news agency service. Of these, 102 subscribed exclusively to PTI, 66 exclusively to UNI and 87 subscribed to both. I am taking note here only of those subscribing to the teleprinter news service. The figures cited would be even lower if common ownership of multiple editions and chains are taken into account. To suggest that there is a basis for competition in news agency business on such a small base of consumership is to mistake the term 'competition'. It is to small a base for consumers as a class t allow classical market economy principle to operate. On the other hand the con sumers become a cartel so to say thu interfering with the normal operation o competition.

contraction in quality

There was thus not only no competitio in news agency business that helped th consumer by improving the quality of th product or reducing its price, but ther was in fact a contraction in the quality an extent of news coverage. Thus out of 6 news bureaux that PTI had in 1975, near twenty were manned by non-journalis (mechanics). There were no staff newsm at those bureaux. The mechanics fun tioned as part-time correspondents there were some outside part-time corre pondents. Previously these bureaux h staff reporters. Also in 1961, at the ti of PTI's agreement with AIR and gove ment, it had been envisaged that the P would expand its news coverage interna and over a period of time have a st reporter at every district headquarte

There was a brief period of expans after 1961. But after the UNI was start there was competition between the two the meagre amounts, available from ne papers and other subscribers like gove ments and AIR, by way of subscript for news. What actually happened a result was that there was an overall c traction of news and information rat than an improvement or increase thro competition. This was disguised by panding the wordage but the quality news certainly deteriorated excepting fr a few centres, including Delhi, where b the news agencies concentrated th efforts. This did give an illusion of co petition in the news covered from D and the speed of coverage. But taking country as a whole this was an illusi

It should therefore be realised that w *Samachar* was a disaster in more w than one, the news agency situation not adequate at all even before as m professional men would agree. The talgic view being propagated of the and UNI before the emergency is not at all.

Apart from the failings of PTI and

(much before emergency) in the coverage of news, financially both of them were in doldrums. They had reached a stage when technically, on a strict application of the Companies Act and regulations, and accounting and financial principles, the two companies were so heavily in debt that they ought to have been wound up, as they would have been, if some of the suppliers had decided against extending credit and foreclosed their debts.

The Nayar committee in its report has brought this out in appendices VI and VII reproduced here.

a few facts

The claims of some newspapers that if *Samachar* is split into the old PTI and UNI and handed back to them, they would run it in the public interest is not borne out by their past conduct. Apart from the picture presented by the tables a few more facts should not be lost sight of. The PTI was founded on a capital base of Rs 4.25 lakhs (paid up). The PTI at its inception raised a debenture of Rs 10 lakhs (against future assets!) and used the money to buy Reuter shares and pay for the assets in India. Within three years, the capital was wiped out, but with the end of the Reuter partnership, there was some accretion to capital. But the shareholders raised no fresh capital, and the debentures, both principal and interest, were re-paid out of current revenues and this was possible only by denying employees their legitimate dues for a fair wage and by skimping on needed news coverage.

After some breakeven years, the losses showed up again and the capital had been wiped out even before 1969. The company had been kept going only by suppliers' credit, goodwill (which was responsible for government granting the loan for the Parliament Street building but on which they are getting a 40 per cent return if the value of the floorspace at concessional rent, 75 paise per sq feet against Rs two per sq feet commercial rental value, is taken into account), and deferring payment of employees' liabilities. (The UNI too was in a similar situation.) And the shareholders gave up the goodwill of the PTI without any consideration.

Apart from the subscribing newspapers, who did not pay their share, the other major culprit in this field was the AIR. By raising the issue of a statutory corporation (recommended by the Press Commission) the government and AIR consistently paid below their equitable share of the costs of running the news agency. In raising these issues now, what is attempted is not to blame those responsible—shareholders, management or government—but to emphasise the need to look into mundane considerations like capital and revenue in judging the future setup. For the kind of news coverage that a news agency must provide, the initial capital needed will be of the order of Rs one crore. Are our newspapers prepared to raise the two crores needed as capital to have two news agencies, and roughly provide for the Rs four crores of current expenditure that running two competitive news agencies will need?

It is clear that India needs a news agency, strong and viable, to provide its subscribers, and through them the public, both domestic and foreign news. Also, a country like India requires that such a news agency should be able gradually to expand its activities to provide a flow of Indian news and views abroad. It is against this background that the issue of what should or could be done with

The Press Trust of India Ltd—Summarised Balance Sheets

(Rs lakhs)

	As on 31st December			
	1975	1974	1973	1972
Liabilities				
Share capital	4.2	4.2	4.2	4.2
Loans from:				
(a) Government of India	38.2	42.8	47.4	54.0
(b) Banks (including cash credits/overdrafts)	23.7	26.5	27.4	29.8
Staff Gratuity Fund	44.7	39.4	37.9	35.3
Advance Subscriptions	6.2	5.7	4.8	3.0
Current Liabilities	48.1	38.9	25.8	29.4
Total	165.1	157.5	147.5	155.7
Assets				
Net Fixed Assets				
(a) Land and Buildings	67.4	69.2	69.5	68.8
(b) Lifts and Airconditioning	6.8	9.6	12.4	15.2
(c) Others	16.2	17.0	17.8	20.0
Total	90.4	95.8	99.7	104.0
Investments	0.4	0.4	0.6	0.6
Stores	6.3	5.6	5.1	5.6
Sundry Debtors	32.2	23.2	18.8	21.6
Loans and Advances	3.3	4.8	2.8	4.9
Cash and Bank Balances	6.0	6.1	5.1	5.6
Losses	26.5	21.6	15.4	13.4
Total	165.1	157.5	147.5	155.7
After making provisions for items not included in Accounts:				
Gratuity	21.9	16.6	18.4	18.3
Doubtful Debts	2.0	—	—	—
Doubtful Advances	3.8	1.4	3.0	—

No provisions have been made in respect of demands made by employees and former employees before wage boards.

Source: (Appendix VI_Nayar Committee Report)

Samachar has to be viewed and the recommendations of the Nayar committee judged.

The Nayar committee has suggested a three-way split up of *Samachar*. There is to be a *Sandesh* and a *Varta* to cover domestic news. *Sandesh* is to be an English language news service, and *Varta* basically a news service circulating in the languages of each region, and conveying news from one linguistic region to another in English. *Varta*'s service in English would also be available to any newspaper that may want an English service. *Sandesh* and *Varta* are jointly to own *News India* which will deal with foreign news, drawing its file by subscribing to all the transnational news services and gradually posting its own men abroad to gather news. It is also to start the process of providing Indian news abroad, by exchange or direct sale.

unsound arguments

In my view this is only a cumbersome second-best arrangement. However, some of the arguments advanced against the Nayar committee's recommendations, namely, that there will be no competition, is unsound. To mistake competition in news for competition in the language of news (of *Sandesh* and *Varta*) is to mistake the packaged goods for the package. To suggest that a paper in Kerala taking both will have no competition to choose from as between *Sandesh* and *Varta* because one will provide news in English and other in Malayalam is silly. The paper will judge between the two services from the point of news (or nuances in news items) provided (or missed), the speed (receiving a news in English and translating it into Malayalam has to be weighed against receiving it directly in Malayalam) and several other factors. (All this is postulated on the paper having a competent news desk.) Again if a paper in Marathi takes *Sandesh* and another *Varta*, the subscribers will complain if one misses a news published by the other. To suggest there will be no competition here is absurd. Equally absurd is the argument that giving news in languages will result in language papers retrenching some editorial staff. Surely English papers receiving news in English have more subs than comparative language papers. Translation is only one portion of language newspaper desk work. The other aspects of subbing, including rewriting or condensing and giving headlines etc, will still remain. What is more, in fact there will be need for more men as language journalism itself begins to improve.

Again, before the emergency, when PTI and UNI were both giving news in English, only 87 newspapers had both the services. Only in these 87 newspapers, did the editorial desks have the opportunity of selecting one or the other service and had the benefit of 'competition'. In the rest of the newspapers—whether it be in the 102 exclusive PTI subscribers or the 66 exclusive UNI subscribers—the effect of competition was seen only when they saw the news supplied by the rival agency (to which they did not subscribe) published in those papers or papers subscribing to the rival agency or both. There were centres (Bhavnagar, Nanded to cite tw where all the newspapers subscribed one service. Yet there was competiti for the news service in the sense that t newspapers concerned would complain news, not supplied to them, were publish say in a Bombay English paper.

Hence, if the Nayar committee reco mendations are put into effect, by creati *Sandesh* and *Varta*, there would still competition in news in more ways th one, though there will still be no r 'competition' in the economic sense, a cannot be in present Indian conditions.

The English newspapers, if they su cribe to both *Sandesh* and *Varta*, will news (domestic) from the two news ag cies in English, and have the option select from one or the other, or comb both. Even if it gets *Sandesh* news English) and *Varta* (say in Hindi), the will still be competition, despite the f that to use the news of *Varta* Hindi, t

TABLE II

United News of India—Summarised Balance Sheets

(Rs lakh

	As on 31st December			
	1975	1974	1973	197
Liabilities				
Share Capital	3.5	3.5	3.5	3.
Loans from:				
(a) Government of India	1.2	1.6	2.0	2.
(b) Banks (including cash credits/overdrafts)	5.8	4.8	2.9	3.
(c) Others	0.8	0.7	—	0.
Staff Gratuity Fund	6.8	5.2	4.0	3.
Advance Subscriptions	1.2	0.9	0.9	0.
Current Liabilities	22.1	21.7	19.2	15.
Total	41.4	38.4	32.5	28.
Assets				
Net Fixed Assets	11.3	10.3	10.8	10.
Stores	2.8	2.3	1.5	1.
Sundry Debtors	19.9	11.1	9.6	10.
Loans and Advances	2.2	2.5	2.4	2.
Cash and Bank Balances	2.9	2.5	2.0	1.
Losses	2.3	9.7	6.2	2.
Total	41.4	38.4	32.5	28.
After making provision for items not included in accounts:				
Gratuity	1.3	1.3	1.3	1.
Doubtful Debts/Advances	—	0.3	0.3	0.
Income Tax	—	—	0.6	0.

No provisions have been made for liabilities against suits filed by the employees.

Source: (Appendix VII, Nayar Committee repo

paper will have to translate it into English. Either way it can select one or the other news or combine both and rewrite it. The language papers, if they subscribe to both, will still have news from two sources (in English if needed from *Varta* or in the language of the area if *Varta* has a language service in that language) and will have the choice of selecting from two sources or rewriting both. Some language papers, in the past, subscribed to PTI and *Hindustan Samachar* (indequate through its service was) and had a limited choice between the two on some items of news. The exclusive subscribers of *Sandesh* or *Varta* will still have the benefit of competition in the same way the exclusive subscribers of PTI and UNI had in the past.

However, over and above this, if newspapers, particularly the big newspapers who are complaining of the danger of monopoly, realise that they are selling news and decide to spend some money and effort in the independent collection and processing of news, there will be real competition in news and an end to evils of monopoly. And if AIR and TV too follow this example there will be even greater competition.

effective competition

If *Hindustan Times*, *Statesman*, *Indian Express*, *Times of India*, *Hindu*, *Ananda Bazar Patrika* and *Amrita Bazar Patrika* (to cite a few) were to depend primarily on their own team of reporters to cover parliament, governmental and other activities in Delhi, and also in important capitals and places where the newspapers are published, surely there will be competition. *Sandesh* and *Varta* will be called to account by their subscribers if they miss any news carried by these big metropolitan papers. This competition will be even more effective if the newspaper editors in these metropolitan papers insist on their reporters producing their own copy independently. At present, specially in Delhi, reporters go back from news events to their offices, look at the agency copy and then rewrite and hand in their stuff. Quite often they just 'steal' the agency copy and put their byelines. This makes the public think there are four or five different versions while in fact it is all based on one version. Two Delhi newspapers (who are loudest in crying about monopoly in news agency business) have in fact made this a fine art—their reportorial strength has been so reduced that reporters do not even attend events but merely rewrite the agency copy.

If competition in news coverage is introduced in the manner suggested the editors of the news agencies (provided we put at the top competent men of integrity and professional pride and not slobs) will call to account their staff if they miss any item that any of the newspapers do carry. This is the way in other countries (many of whom have only one news agency) that news agency competes for news and agency men are kept on their toes and the efficiency of the service maintained.

more expenditure

But this undoubtedly means that big paper must spend more money, apart from meeting the costs of the news agency service, on their own news collection, and even more on the processing of news by expanding or improving the quality of their desk (subscribers and other such categories).

Even in the matter of foreign news, though *News India* will be the one source of foreign news to both *Sandesh* and *Varta*, there will be competition in foreign news. Firstly, any newspaper subscribing to *Sandesh* or *Varta*, would be able to get (from *News India*) full service of one or more of the transnational news services which *News India* might get. It will cost the newspaper naturally extra money (to meet the extra costs involved for *News India* in delivering that news) but that will be only in rupees. By having *News India* as the only organisation to negotiate with the transnationals, the country will benefit both in the total quantum of foreign exchange and in other respects. Also, over and above this, or in lieu of this, the newspaper might also post a few of its own men abroad to file news independently or provide the interpretative coverage and thus there will be competition. *News India* will be pulled up by *Sandesh* and *Varta* (and both by newspapers) if they did not get a major item of news, published by a newspaper either because it got a full transnational news service (that *News India* got but did not use that particular item) or when the newspaper published an item from its ow man abroad. Even more, *Sandesh* and *Varta*, and any newspaper for that matter, by selective monitoring of foreign radio broadcasts, will provide the necessary edge to themselves to keep the *News India* on its toes.

It requires is competent professional men to head the agency or agencies and competent and vigilant newspaper editors who would complain when a news agency fails, but also pat it on the back when it does well.

to the public good

All this in fact would contribute to the improvement of Indian newspapers, and the public will get news from various sources, processed and presented in a variety of ways, instead of the monotonous similarity that prevails in Indian press both before and after emergency. Publishers will no doubt be forced to spend more money on news but in the long run this should prove a good investment for them, and the community.

The other argument that the Nayar committee's recommendations will involve government subsidy has even less merit. AIR and TV would be paying the news agencies for the service. It is not a charity nor a subsidy. It may be noted that in 1954, the Press Commission had suggested that the Radio should pay ten annas per radio licence. The idea was that the Radio should pay about 75 per cent of the money raised by the newsagencies from newspaper subscribers. The quantum was fixed on the basis of the Commission's assessment of the equitable share of the Radio and the printed media in meeting the costs of newsagency operations. The fee of ten annas was fixed on the basis that the Radio had no advertisement revenue unlike a newspaper. This no longer applies. Also, the Radio and its listener growth has far outstripped newspaper readership.

Hence there is no element of subsidy involved in the tariff for Radio and TV suggested by the Nayar committee. Nor is there any in suggesting that Indian embassies abroad should pay the agency for news bulletins that it may prepare and broadcast and that embassies need (information) in their work.

However, it is difficult to accept the committee's view that there is no scope for increasing newspaper subscriptions. The

big and the small newspapers certainly could and should pay more. The papers in real difficulty are the medium ones, who must have the same quality content of news as the bigger ones, but who do not have the means of independent news coverage. It is only this class that deserves special attention. The idea that there is no scope for increasing newspaper subscriptions is not only misguided but fraught with danger.

cumbersome structure

The real problem with the Nayar committee scheme perhaps is the cumbersome structural arrangement it implies. Such arrangements do work in countries like Britain (where technically Reuters is different from Press Association etc). But in India with our genius for factionalism we might make the whole thing unworkable and even wreck it.

A news agency's functioning ultimately depends upon the top news executives—their news awareness, their ability to be honest, incorruptable and independent, independent of governments, powerful private combines and occasionally even of their directors, in ensuring that all viewpoints are covered in the news service. It also depends on vigilant consumers and their representatives on the board of directors. The PTI board, for example, had few men who really knew about news. Though they were "editors" and "managing editors", they were mostly the business executives. The problems of news coverage, including the problems of finding money for it, never seemed to concern them. Even editors of newspapers, I have found, are seldom fully aware of the news agency problems or news coverage. Most of them, in India, are still there because they can write good editorials or columns, and have virtually abdicated to managements their news administration responsibilities.

In this situation, could we find enough news executives to man the three outfits? There are many anxious for the posts, but unless we take care, the *Samachar* fiasco will be repeated thrice over. Do we have enough editors of newspapers who can be conscientious enough to man three governing bodies of the three news outfits? I have my doubts.

In any event, there is great merit in the Nayar committee recommendations about some common services. The engineering section can be competely separated, made into a separate outfit, to service the three newsagencies and their subscribers, on a reasonable return basis. In many countries now, news agencies have got out of the business of supplying and servicing the teleprinters of their customers. Our Posts and Telegraphs is too inefficient to be given this job. But there is no earthly reason why there cannot be a common company or even two companies to handle this business. What will be needed will be a man on top who would have some management experience and kowns about the business.

second best proposal

As I have said earlier, the Nayar committee's recommendations are only the second-best. The best will be to streamline and reform *Samachar* (and of course rename it since the very name *Samachar* stinks and evokes an unfavourable public image). In that event the total newspaper subscriptions and subscription from other sources (like commercial houses, banks etc) will form a better proportion of the monies raised by way of AIR and TV subscriptions. While the latter is only paying for service rendered, and not a subsidy, still as a major subscriber they may have a dominant voice.

The national newspapers can still cover news on their own and provide competition to the one agency and keep the agency on its toes through better control and complaint mechanism than the PTI or UNI ever had. This will have one advantage. There is no need to have three different sets of top managerial accounts and technical posts, and there will be scope for economy in purchases etc with one organisation. And if, being one agency, it adopts the assessment system (rather than the subscription system) and the consumers exercise some control through proper budgeting etc there will be better efficiency. However, the *Samachar* experience is so bad that no one may be prepared to accept it.

If this idea is accepted, then there will be scope for the smaller or medium papers in each region, forming their own local regional news agencies (whose infrastructure and administrative costs will be much less), and these agencies will then be in competition with the bigger papers of the region who have their own detailed regional coverage. There will thus be a real multilevel competition in news, and at much less cost but with greater efficiency than in the two agency system—whether it be *Sandesh* and *Varta* (or even the old PTI and UNI). And just as important leading papers around the country have bureaux in the capital to look after news concerning their area, the regional news agencies too will or can have bureaux in New Delhi, thus giving a competitive edge to the smaller papers of the region vis-a-vis the bigger papers.

To sum up, there is no need to "split" *Samachar*. It has only to be reformed and streamlined. A couple of the big newspapers, starting direct coverage of news in parliament, government, Supreme Court etc, combined with a vigilant governing board of editors rather than managers (that pays attention to news rather than to accounts as the PTI directors use to do) will remove any danger of monopoly or a slothful news agency.

no feasible move

If *Samachar* is to be split, it should not be split into its former constituents, nor is that move really feasible. The Nayar committee's recommendations, cumbersome though they may be in some respects provide the second-best alternative

In public interest, and in their own narrow interest, newspapers should pay more attention to direct coverage of news and editing of news, thus offering real competition and choice to the public. This will also serve long term public interest.

Parliamentary enactment is necessary merely to prevent the burden of the illegalities of emergency from being visited on the successor or successors. A parliamentary charter or special law relating to news agencies will in fact provide the administration with less powers to interfere than the Companies Act or the Societies Registration Act. Such an enactment must also specify the norms—capital structure, control and other details, including objective dissemination of news—that must govern any other news organization that might be set up as per recommendations given above.

IMF's warning against protectionism

The IMF in its annual report for the year 1977, has expressed serious concern at the increasing protectionist sentiments in some industrial countries, which according to the report, is not the real solution to the economic problems, and has warned that it could have a destructive effect on world prosperity.

THE INTERNATIONAL Monetary Fund (IMF) has warned that continued protectionism in some countries will harm the open international trading system. In its annual report for 1977, the IMF has said that protectionism is not a real solution to the economic problems of the industrialised countries and that it could have destructive effects on world prosperity.

The domestic and external economic difficulties of many countries, particularly unemployment, have given rise to pressures for protectionist measures. On the whole, such pressures have been resisted and relatively few of the major trading nations have imposed restrictions. But, the persistence of such pressures, as is evident from increasing protectionist sentiments in particular industries in some industrial countries, continues to be a cause for serious concern, according to the IMF.

Reviewing the situation, the report said that the volume of trade seemed to be settling into a more sustainable pace of expansion during 1977 after four years of extremely uneven developments dominated mostly by cyclical influences.

Trade volume appears to be growing at about seven per cent a year. In 1976 the first stage of cyclical recovery raised import demands in key areas, taking the expansion rate to 11.5 per cent.

Prices rose a little faster in the first half of 1977 partly because of the marked upsurge in primary commodity prices from early 1976 to April 1977. In the next two months, however, there was a sizable decline.

On balance of payments, the report said that the oil-exporting countries emerged as the principal surplus group. Industrial countries which formerly held large current account surpluses, ceased to be so.

The combined current account deficit of non-oil developing countries will be about the same as the rescaled deficit for 1967-72. These countries and the more developed primary producing countries thus remain as they had been for several years—large-scale net recipients of capital and foreign aid and hence net importers of goods and services.

While industrial countries are on longer net suppliers of real resources or financing, they are still the direct source of financing the current account deficits (and reserve accumulations) of the non-oil primary producing countries. However, the industrial lenders are obtaining funds not from national savings within themselves as earlier, but directly or indirectly from placements of surplus funds accruing to the major oil-exporting countries.

The combined current account surplus of the major oil-exporting countries is now concentrated in a small number of countries whose capacity to expand imports is comparatively low in relation to their export earnings.

Non-oil producing countries reduced their current account deficit from $38 billion in 1975 to $26 billion in 1976.

The report said that the current account deficits of many countries are too large to be sustained. Therefore, declines in the current account surpluses that still prevail in some industrial countries will facilitate the international adjustment process.

adjustment measures

This will require not only internationally cooperative policies on the part of the surplus countries themselves, but also firm implementation of adjustment measures by their trading partners with current account deficits.

Japan and the Federal Republic of Germany should adopt economic growth policies which are sufficiently expansionist to soak up their current account payments surpluses, according to the report.

"In view of its external strength, and in line with its policy stance, West Germany should maintain an adequate rate of expansion in domestic demand, consistent with its anti-inflation objective and should accept any appreciation of its currency that may result from the operation of market forces," the report said.

It added, however, that adjustment of the West German current accounts balance would also depend to a large extent on the success of anti-inflation policies in the deficit countries and their willingness to "allow exchange rate flexibility."

The reduction of Japan's large surplus "will depend crucially on achievement of a satisfactory rate of expansion of domestic demand." As for the other industrialised countries showing a deficit, the report said, France, Britain and Italy "are now pursuing policy measures that should

WINDOW ON THE WORLD

improve their current account balances within the year."

"In the case of both the United Kingdom, which will benefit from the North Sea oilfields, and of Italy, the expected improvement may carry the current account into balance or surplus."

The adjustment of a number of semi-industrialised countries to the economic upheavals of recent years remained "relatively incomplete." The improvement scored by this group in 1976 was almost entirely due to the performance of Australia, New Zealand, South Africa and Finland and the same story could be expected for 1977.

The report also said that even though the great majority of countries were still trying to put their economies back into order after the serious upsets of recent years, "economic and financial conditions in many parts of the world are distinctly better than those of one or two years ago."

The report traced the pace of economic activity over the past few years in the industrial countries. Growth ceased in 1974, declined in 1975, and picked up vigorously in the first half of 1976.

In the first half of this year, the real gross national product of the industrial group increased at an average annual rate of five per cent, the IMF estimated.

The IMF expressed concern about the problem of liquidity, the availability and flow of money. It said, there were still substantial payments imbalances, despite greater flexibility of currency exchange rates in recent years. This flexibility had helped to offset some of the problems of inflation and balance of payments deficits.

The IMF warned that it was no good for a country to devalue its currency if it did not at the same time control the subsequent tendency for wages and prices to rise. It suggested control by such methods as incomes policies negotiated among governments, unions and industry.

The payments imbalances made the manner of provision of international liquidity a matter of central concern. Expansion of reserves and balance of payments credit in recent years has been greatly in the form of assets and liabilities in international capital markets, rather than through the Fund or other intergovernmental agencies. While the Fund has been an active lender, finances of private institutions are replacing those of official organisation of official reserves.

Of course, this facility is available only to countries that can borrow in international capital markets. A number of Fund members cannot do so and for them the availability of conditional and unconditional liquidity is largely dependent on the capacity of the Fund to provide credit or to allocate SDRs. However, many members are depending on less official financing and quota increases, supplementary credit, and SDR allocations can be considered alternative sources of reserves or balance of payments credit.

Since private institutions do not normally attach policy conditions, an increase in the capacity of the Fund will complement market resources and increase confidence in the smooth functioning of the international monetary system.

On the sixth general review of quotas to raise aggregate quotas from SDR 29.2 billion to SDR 39 billion, the report said, 27 members representing 42.50 per cent of quotas in effect on February 19, 1976 had consented to the increase.

As the heavy demand on the Fund's resources is likely to continue, the managing director proposed to the interim committee the establishment of a supplementary financing facility. The executive directors regarded this proposal as having high priority.

The report said that the IMF financing activity remained high as participants used SDR 1.24 billion. In the general account, gross purchases reached SDR 4.9 billion.

The Fund almost doubled the number of currencies it uses in its transactions and has borrowed over SDR 8 billion from 18 members and Switzerland.

Fifty-five members bought from the Fund's holdings of currencies of 38 members to meet balance of payments needs.

Can health-care costs be tamed?

In the United States health care costs have been soaring so fast that a reaction has set in and efforts are afoot to moderate the trend. The Morgan Guaranty Survey of August 1977 says that the most far-reaching proposal is the restructuring of insurance so that individuals would be responsible for a substantial part of medical expenses.

IT HAS been obvious for some time that the cost of health care in this country is on a runaway track. Whereas between 1955 and 1965 health care expenditures approximately doubled, during the following decade they more than tripled –to $122 billion in 1975. In 1976 health-care costs grew to $ 139 billion and this year they are expected to rise to the vicinity of $ 160 billion. This would be about nine per cent of GNP, double the proportion devoted to health care in 1955.

The spiral has prompted a widespread search in recent years for ways to curb costs—involving experiments by government, industry, labour unions, insurance companies, and health-care providers. Much of the containment effort has been focused on hospital costs, as they are the largest single item in the nation's health bill, accounting for about two fifths of expenditures, and they consistently have outpaced the over-all rise in medical-care costs (see graph p. 560). Last year semi-private-room charges, for example, rose more than 15 per cent.

Now the Carter administration has placed cost containment at the centre of its health-care strategy, in the belief that controlling costs is a necessary preliminary to the long-discussed goal of national health insurance. Arguing that "America simply cannot tolerate hospital costs that are rising at two and one half times the rate of inflation," the administration has proposed legislation that would limit increases in hospital revenues for inpatient care from all sources—Medicare, Medicaid, private insurance, and individuals—to nine per cent in the fiscal year beginning October 1. The revenue cap is intended as a "stopgap" measure, to be replaced by a more permanent system of curbing hospital revenues and expendi-

—Over to page 560

COMPANY MEETING

I.T.C. LIMITED

CHAIRMAN, SHRI A.N. HAKSAR'S STATEMENT

at the Sixtysixth Annual General Meeting
on Thursday, 25th August,1977

"ITC is a responsible philosophy as follows : 'I one is already with you in to obligations to the Nat

A. ITC as a Responsible Corporate Citizen:

On a previous occasion I described ITC philosophy as follows :

"I believe every Company has two Balance Sheets. The obvious one is already with you in the Report and Accounts. The other, not so obvious, relates to obligations to the National Interest and thus to the Public Good". I would like to give a few major examples covering ITC's interrelated selected segments of society.

I. First—ITC and Nation Orientation :

1. ITC—Indianisation and Professionalisation

From a foreign Company subsidiary of 94% only 6 years ago ITC has become, today, an Indian Company in every respect with over 60% Indian Shareholding. Almost a quarter of ITC's employees are shareholders for whom shares were reserved and assistance provided to acquire them. The Management of the Company rests with the shareholders' duly elected Trustees all of whom are Professional Managers with no personal vested interests of ownership control.

2. ITC—Subserving National Economic Priorities :

This Professionalisation of ITC makes it possible for its Management to provide a reasonable and fair return to shareholders by first serving the Nation through directing its operations and investments in support of the National economic priorities. It was ITC that introduced Flue-cured Virginia Tobacco to India which is the second largest producer and exporter of tobacco today.

The BPL promoted project is in the priority Capital intensive core sector and is being set up in a backward area which will bring well-being to the rural community surrounding it apart from overcoming anticipated shortages and having an export potential.

The activities of the Foods Division are labour intensive, located in backward and rural areas and while at present 100 per cent export-oriented, capable of adding to the food supplies for home consumption. The Hotels Division enables very large employment during the project stages, is particularly labour intensive for the educated unemployed, will be earning substantial foreign exchange and provides livelihood for a number of ancillaries. The General Exports Division is entirely export oriented and its production bases again labour intensive.

3. ITC—Creating New Employment Opportunities:

It is envisaged that the first phase diversification activities alone will result in creating around 5,000 new jobs covering largely the rural people and the urban educated unemployed. ITC's Trade Investment assistance also has a potential of providing jobs for around 1,000 people.

There are already a total of approximately 30,000 directly employed. In addition, ITC's operations contribute towards the livelihood of another 11 lakhs of people all over the country.

4. ITC—Aiding Rural Development :

Involvement in rural development is nothing new to ITC. The first example concerns the activities of ILTD which is a unique operation. The well-being of the farmer depends upon providing him with technology on the one hand, and assistance in appropriate, adequate and timely inputs with supervision and know-how in agricultural practices, on the other. ILTD provides a comprehensive FARMER SERVICE as well as INPUTS and deals directly with approximately 70,000 farmers who have received continually increasing returns for their produce. The Research Centres at Rajamundry and Bangalore are acknowledged as outstanding in the world of tobacco and cover every form of R & D including agronomy. ILTD is also training farmers in grading to enable them to obtain added value for their produce. This is a pre-requisite to the development of tobacco auctions which ILTD supports as a desirable method to be developed gradually. During the development stage of new strains, ILTD guarantee farmers a minimum return whether the crop succeeds or not and to improve quality, runs experimental farms in addition to its Tobacco Development Training Centre at Hunsur.

The second project, still in its infancy, has taken up the cause of the weavers in U.P. to make it possible for thousands of weavers to better their lot while remaining self-employed and "undislocated" from their place of residence.

5. ITC—Foreign Exchange Earnings:

ITC has made a major effort to contribute to this relatively scarce resource by increasing its foreign exchange earnings from an average of around Rs 5. 0 crores between 1952 to over Rs 31.00 crores 1976/77, an increase of o 600 per cent. Furthermore, virtue of ITC taking over assets of ILTD and itself dil ing to majority Indian sha holding, it has reduced futu outflow commitments Rs 1.24 crores based on curr levels of Dividend and Prof The overseas shareholders not get any royalty, techni and/or know-how fee, office administrative expenses. T overseas dividend remittan commitments for the futu stand reduced to only a net Rs 85 lakhs which is cover well over 30 times by the Fo ign Exchange earned in 197 77.

6. ITC—Resource Mobilisati for Investment Creati Employment:

All forms of taxes and dut paid by ITC have risen fro Rs 42.45 crores in 1966/6 to Rs 225.28 crores in 1975/7 During this period ITC h also ploughed back into gai ful investment Rs 12.55 crore retained from its disposab after-tax surpluses. Further, has harnessed another Rs 49. crores by virtue of its reco of making resources producti and the security it provides capital employed.

II. Second—ITC and th Consumer :

1. ITC—Distribution and t Consumer:

ITC's India Tobacco Di sion has the most efficient a most economical Distributi System and Network in Ind The cost of pure distributi to turnover is only 0.8 per cen Furthermore, the distributi network supports indirec nearly a million self-employed

2. ITC—Quality and the Consumer :

ITC's Branded Praw

porate Citizen. On a previous occasion I described ITC lieve every company has two balance sheets. The obvious e Report and Accounts. The other, not so obvious, relates l Interest and thus to the Public Good'."

PENINSULAR AND CHEF have established a high reputation in Japan. The Hotels are equally developing a reputation of being unique. In the case of cigarettes, INDIA KINGS has already won the ninth successive Gold Medal at the Monde Selection and four other brands have similarly been acclaimed. The Printing and Packaging Division received the India Star Award for excellence in Printing in March 1977. ILTD received a Certificate of Merit from the Ministry of Commerce in June this year for outstanding export performance in the period April 1974 to March 1975.

3. ITC—Inflation and the Consumer:

Between 1960/61 and 1976/77 the average price of our ten cigarettes has increased by 79 paise. Of this increase, Excise Duties account for 57 paise, all materials and increas- cost of independent distribution 22 paise, these three items alone totalling 79 paise. THUS for 16 years THERE HAS BEEN NO EXTRA BURDEN ON THE CONSUMER OF INFLATION in respect of wages, freight, cost of capital and a host of other expenses.

III. Third—ITC—and its Employees:

Turning now to the Employees, on a previous occasion I have stated categorically that ITC believed that "the Employees are our most valuable asset". It is also an asset that never depreciates and is capable of constant improvement. As employment is the most practical and powerful vehicle in the context of the equitable distribution of wealth and reduction in disparities, I would like to make a few comments which show only too clearly the Socialistic pattern of society that prevails in progressive organisations such as ITC.

1. ITC—Employees—Distribution of Wealth:

The total wage bill of the Company covering all employees has risen from Rs 6.42 crores per annum in 1966/67. to Rs 18.96 crores in 1976/77. This is an almost 300 per cent increase in ten years representing a staight average increase of 30 per cent per year. This distribution and increase of the total wage bill has taken account of inflation adjustments, which are applicable only to Unionised employees.

2. ITC—Employees—the Reducing Disparities:

The average gross cost of an unionised employee in ITD is Rs 11,000/- per year giving a ratio of 1:2 for the average gross cost of supervisory staff and 1:5.5 for the average gross cost of Management staff. In net terms (that is after tax) the ratios are significantly lower. I might point out that the cost of the highest paid Unionised employee is Rs 44.565 per year giving a ratio of 1:3.5 in gross terms compared with the head of the Division who is a senior Director of ITC. In net terms, this ratio would again be substantially lower.

3. ITC—Employees—Payment by Results:

What I have just said is not a complaint about the high wage and salary costs; it is an expression of the Company's approach. But we do believe in payment by results. To this and increasing proportions of earnings are linked to productivity and ITC was amongest the first in India to link annual bonus and monthly incentive to employee productivity.

4. ITC—Employees—Investment in Quality of Human Resources:

Our belief that Employees are the most valuable asset does not end with payment by results only. In order to improve the quality of the human resources ITC invests in training and development of its employees at all levels. In ITD alone such training is given at the Technical Training Centre, Bangalore, Branch training calls at all factories and at the in-Company training establishment at Aldeen in Calcutta. Substantial costs are incurred in this but these are viewed as long term investments.

IV. Fourth—ITC and ITC Shareholders:

The Management, as Trustees, have the prime responsibility of safeguarding and furthering the interests of those who have invested their hard earned money. Indeed, production and surplus or profit add to the GNP and National Wealth; the lack of production and incurring losses lead to a lower standard of living made worse by inflation and the erosion of capital which is tantamount to National waste.

1. ITC—Indian Shareholders and net worth gains of Indianisation:

The farsightedness of the oversees shareholders, supported by the Management's convictions, made it possible for ordinary Indian investors and the Financial Institutions to acquire disinvested shares at Rs 10.00 and Rs 10.50 when the net asset values stood at Rs 20.52 and Rs 23.28 to the extent of Rs 2.80 crores and Rs 3.81 crores making a total of Rs 6.61 crores. As a result of this there was immediate ownership of over 60 per cent of the Reserves of the Company transferred to the Indian Shareholders without having really contributed to the accumulation of these which stood at Rs 19.94 crores and Rs 25.17 crores respectively.

2. ITC—Shareholders and real value of assets:

Apart from the issued capital of the Company in the hands of the shareholders accumula- ted reserves have been built u by Rs 13.10 crores as a consis- tent policy since 1965/66. Thi increase of over 50 per cen represents the measure of insu- rance your Trustees have pro- vided to the shareholders' cas investments in order to secure on the one hand, the perennia profitibility of the Company' profit making capital asset and, on the other, provid higher capital values and wealt per share to the investor share holders. The net Asset Valu each Rs 10.00 share, withou revaluation of assets to currer prices, stands at Rs 23.28.

3. ITC—Shareholders and fair return on investments:

In the case of Indian share holders returns go to the em ployees who are shareholders ordinary lower-middle an middle-class members of th public and the Financial Inst tutions handling Public funds.

In discharging their responsi bilities, in this regard, th Management have improve the dividends from 10 to 1 per cent between 1966/67 an 1974/75 being unable unde statute to do so in 1973/74 This has been done despite th increase in issued equity fron Rs 15.16 crores to Rs 18.9 crores by virtue of the growt of the Company. It has no been recommended that Rs 3.7 crores be capitalised as Bonu shares subject to the approva of the General body and th Government.

B. Conclusion

In conclusion I would like t thank all employees of ITC fo their unstinting efforts durin the year under review. 1977/7 is a watershed year for th Company with the first phas of Diversifications coming t fruition. We can look forwar to the future with confidence.

Note: *This does not purport t be a record of the proceeding of the Annual General Meetin*

tures. The administration's proposal also would drastically curtail investment in hospital facilities, with the aim of reducing costly excess capacity and curbing the proliferation of expensive medical equipment.

The administration's bill—called the Hospital Cost Containment Act of 1977—is spurring key committees in Congress to take a fresh look at hospital financing. Some analysts expect that within a year or so Congress may act to restrain hospitals' capital outlays, a policy innovation having wide support from industry, labour and health-insurance companies.

average cost formula

Cost-control legislation is considered more questionable. The administration's proposed revenue cap has been widely criticized as arbitrary and unworkable; opponents charge that its enactment would force hospitals to reduce services and that quality of care would suffer. While the proposal may not literally constitute price and wage controls, it certainly does involve many of the same onerous problems associated with such controls. The proposal has found little favour in Congress. A number of alternative proposals are under consideration, and there is considerable support for a measure advanced by Senator Herman E. Talmadge. A long term approach to cost containment, in contrast to the immediate remedy sought by the administration, the Talmadge proposal would tie hospital reimbursement under the Medicare and Medicaid programmes to a formula based on average costs for similar institutions. While it is uncertain whether Congress will act this year or even next year, some kind of hospital cost-control legislation seems to be in the cards.

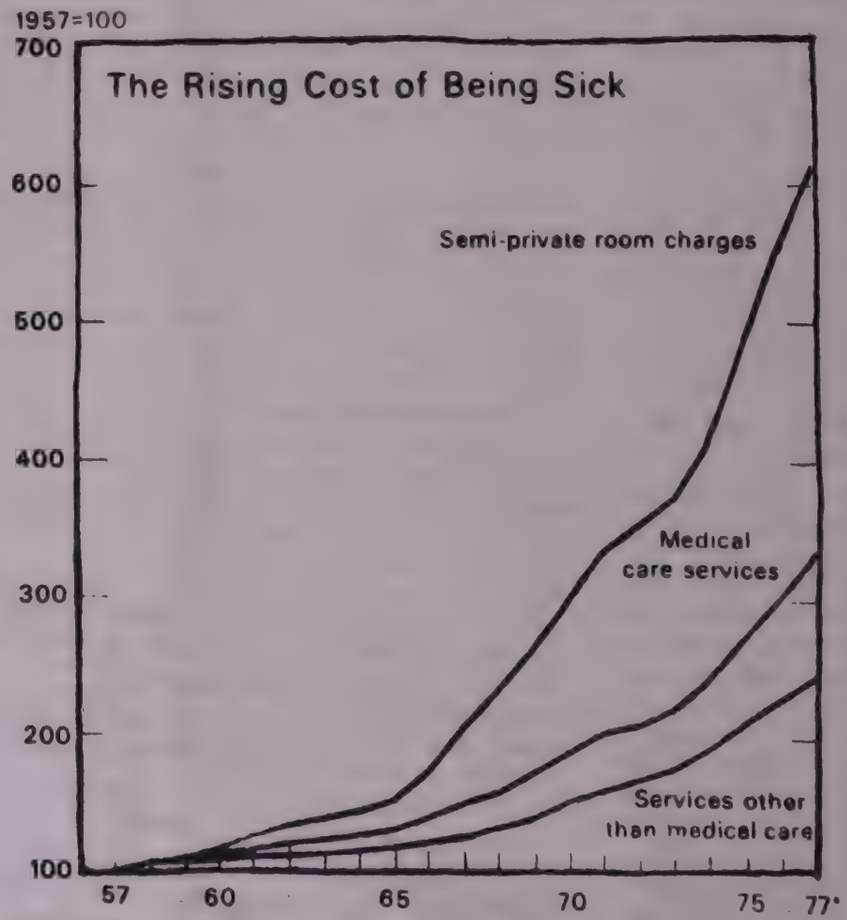
Why hospital costs have risen so fast has been a subject of lively debate, but many analysts now consider a principal reason to be the growth of insurance in the past quarter century. In 1950, individuals paid half of the cost of short-term hospital care out-of-pocket, with private insurance and government picking up the other half. By 1975, the part paid by insurance and government had risen to nearly 90 per cent. The increased coverage obviously has been a boon to countless individuals facing large hospital bills. But many analysts contend, and insurers themselves acknowledge, that the growth of third-party payments has blunted patients' sensitivity to hospital price increases and encouraged demand for increasingly expensive care.

Persuasive support for this thesis is provided in a recent analysis by Professor Martin Feldstein of Harvard University, a prominent authority on health-care economics. The study produced the remarkable finding that, although the average cost of producing a day of hospital care soared from $ 15.62 in 1950 to $ 151.53 in 1975, the real net cost to the patient (cost in 1967 dollars net of payments by insurance and government) has remained virtually constant. Although consumers pay the full cost of hospitals care through higher insurance premiums and higher taxes, the study observed, it is the net cost that influences patient and physician voice at the time of illness: "patients, guided by their doctors, demand more services and more expensive services when a larger part of their costs are offset by insurance." This sets up a self-reinforcing spiral: hospitals provide a more expensive style of care, which induces people to buy yet more complete insurance.

Insurance also encourages demand because policies often cover only care provided while the patient is in the hospital. Thus physicians will admit patients even if the procedure could be accomplished on an outpatient basis.

Government policy has greatly contributed to the growth of coverage, both directly through the establishment of Medicare and Medicaid in the mid-1960s and indirectly through favourable tax treatment of private health insurance amounting to an estimated $6 billion a year. Businesses contributions to health insurance are a valuable fringe benefit which employees are not required to include in taxable income.

Meanwhile, third parties typically have reimbursed hospitals for "reasonable" costs—in effect, critics say, paying whatever bills are submitted. This retrospective—or after-the-fact—reimbursement practice rewards higher spending with higher reimbursement, creating disincen-



NOTE: Adapted from the Consumer Price Index.
*Plottings for 1977 are estimates based on the annual rate of increase in the first six months.

tives for hospitals to provide more economical care. In recognition of this, reimbursement practices are beginning to change. In recent years several states and a number of Blue Cross plans have initiated a variety of so-called prospective reimbursement methods, the common denominator being establishment in advance of rates to be paid for various services.

sophisticated services

In response to demand, hospitals have provided increasingly sophisticated services—characterized by rapid advances in medical technology, an increasing volume of equipment and supplies, growing numbers of personnel per patient, and more extensive diagnostic procedures. Many marvels of life-prolonging treatment have become commonplace, with inestimable benefits to the sick and injured.

Many economists regard the rapid pace of technological advance as a key factor in rising hospital costs, in part because advances in medical technology tend toward the development of expensive new capabilities rather than towards the more efficient performance of existing tasks. Too, doctors tend to want the hospitals with which they are affiliated to have the latest facilities, and administrators and trustees often feel they have to provide advanced equipment in order to attract physicians. This leads to wide-spread duplication of facilities, with advanced technological capability not used frequently enough in many hospitals to be considered efficient or to maintain standards of quality. According to one study, fewer than 20 per cent of hospitals performing heart surgery do the four to six operations a week considered necessary to maintain quality.

Hospitals are beginning to realise that they have to be run more efficiently. In recent years a few institutions have pioneered analysis of case loads and costs of treating different illnesses, with the aim of improving understanding of how efficiently various facilities are used. But such efforts are in an incipient stage.

A recent example of technological proliferation is the rapid adoption in the past three years of the Computerized Axial Tomography (CAT) scanner, which costs upwards of $ 500,000 to buy and $ 300,000 a year to operate. Physicians regard the scanner as an excellent new diagnostic tool, and some 500 devices have been installed. Critics say, however, that there are enough of these devices in southern California alone to serve the entire western half of the country. The spread of the scanner, as much as anything, is reported to have intensified the government's concern about capital expenditures.

Analysts also point to increased diagnostic testing as a significant factor in the cost picture. Women receiving routine maternity care had an average of 13.5 tests in 1971, up from 4.8 in 1951. A patient with a perforated appendix now gets 31 tests, six times the number in 1951. A poll reported by the American Medical Association in March suggested that most physicians are ordering extra tests as a protection against potential malpractice charges. Three out of four responding doctors admitted to such practice of "defensive medicine."

ticklish problem

On publication in May of a detailed study of *Costs, Risks and Benefits of Surgery*, four Harvard medical professors instrumental in the project told a news conference that some operations carried out for marginal indications, such as cosmetic surgery or tonsillectomies, add substantially to health-care costs. It is difficult to establish the volume of questionable surgery, as experts can differ on whether an operation is justified. But the incidence of certain kinds of surgery varies widely. Some experimental programmes initiated by business firms and labour unions have found that a second opinion often fails to confirm need for surgery.

Every day an estimated 25 per cent of the nation's short-term beds are unoccupied. While the cost of maintaining an empty bed is disputed, some estimates put it as high as 80 per cent or 90 per cent of the cost of an occupied bed. Professor Victor R. Fuchs of Stanford University, a leading healthcare economist, has observed that: "Most administrators want to keep their occupancy rates up and, when too many beds become unoccupied, they try to put pressure on the physians to fill them." One way this pre sure is applied, Professor Fuchs notes, to suggest to each service chief (medicin surgery, pediatrics, etc.) that unless keeps the beds assigned to his servi reasonably full they will be reassigned another service. The result is a tendency admit more freely and have longer stay

In addition, hospitals have been face with rising prices for the goods and servi es they buy, soaring premiums for ma practice insurance, expenses of complyi with a multiplying array of governme regulations, and catch-up wage increas for hospital workers. Labour accoun for 53 per cent of hospital expenses, a in many institutions hospital administr tors say that unions impede labour-savi efforts.

There is considerable agreement that necessary step in moderating hospital co is to change the reimbursement syste so that it provides incentives for hospi economies. The administration's propos nine per cent revenue cap is not intend to meet this criterion but to provide immediate respite while a longer-term i centive-payments mechanism is designe The proposal is widely considered flawe and hospital groups oppose it strenuousl Far more acceptable, they have ma clear, is Senator Talmadge's bill.

reimbursement system

In essence, this would establish a pro pective reimbursement system for th Medicare and Medicaid programmes, und which a per-diem rate for routine opera ing costs would be set for each hospit according to a formula based on averag costs for a similar group of institution Hospitals whose actual operating cos were below their payment rate would ea bonuses, while those with costs above 1 per cent of their payment rate would ha to absorb the overrun. Thus heavy spe ders would have an inducement to c back.

The Talmadge concept has gained wi support in Congress and among interes ed groups. The administration also su ports the general approach as a long-ter measure. A principal reservation expre sed by some is that, although the prop sal would require hospitals to refra from passing on to private payers co

unreimbursed by the new system, savings for Medicare and Medicaid programmes would in fact result in higher charges to private parties. The Senator has said he is open to broadening the proposal's reach to private payers "if a consesus seems to favour this approach." Experiments with prospective reimbursement in recent years have not conclusively demonstrated savings, but they have encouraged cautious expectations that a nation-wide programme can impose some descipline.

Many experts believe the hospital-cost spiral can be moderated mainly by reducing unnecessary admissions and overlong stays. Accordingly, the possibility of altering existing incentives toward overutilisation is gaining increasing attention. The most far-reaching proposals envisage a basic restructuring of insurance so that individuals would be responsible for a substantial part of medical expenses. Professor Feldstein, for example, has argued that if patients paid expenses up to perhaps ten per cent of income before insurance took over, the "inflationary forces inherent in the current insurance system would be checked" by an incentive to choose the "most efficient combination of resources to obtain care."

drastic reduction

Such a drastic reduction of insurance protection as that proposed by Professor Feldstein would appear to stand little chance of adoption. Much more modest cost-sharing proposals encounter strong opposition from union leaders. Employment-related plans account for approximately 80 per cent of private health insurance premiums, and they typically provide first-dollar coverage for hospital care and related surgical fees. Still, many analysts believe that the existing system provides too strong an incentive for overutilisation, and that it should be redesigned to require patient co-payments.

Meanwhile, numerous employers have been redesigning benefit plans to include coverage for use of ambulatory facilities, outpatient surgery, and home care, as well as testing before admission to hospitals (which often can save a day or two off room-and-board charges). The fastest growing new benefit is reimbursement for second opinion on need for surgery, with patients free to make their own decision.

Along with trying to encourage care in non-hospital settings, a number of employers are sponsoring hospital utilisation review programmes in which panels of doctors monitor admissions and lengths of stay. Meanwhile, a network of Professional Standards Review Organizations (PSROs) is being established, in response to 1972 legislation to review care provided to Medicare and Medicaid patients. As yet relatively new, peer review has received mixed appraisals. A Yale study of the most advanced PSROs last year found few positive results in curbing overuse, but in a number of cases review groups are credited with success in doing so. Some observers are quite optimistic that peer review is a potentially useful tool.

nascent effort

Meanwhile, nascent efforts to moderate the trend toward excess hospital beds and duplication of facilities are afoot. In 1974 Congress provided for establishment of a network of regional planning mechanisms, called Health Systems Agencies (HSAs), charged with developing regional plans for health services and reviewing hospital expenditures, with a principal purpose that of improving the distribution of health resources. A principal tool is an HSA recommendation to state authorities as to whether to grant "certificates of need" for hospital construction or equipment purchases. The programme is still untested. In many communities HSAs have been embroiled in controversy. But some HSAs claim success in deterring new hospital construction and effecting other economies.

Planning is essentially a tool for affecting future growth and costs, rather than for effecting a rationalisation of health-care facilities in the short term. In many communities business firms and unions have viewed it as a potentially promising approach and have become actively involved in planning agencies.

Another long-term approach considered to have promise of helping to moderate costs is further development of alternatives to the dominant fee-for-service system of health care. In recent years particular interest has focused on Health Maintenance Organizations (HMOs), which provide comprehensive services to subscribers for a fixed premium paid in advance. According to several studies, it is not unusual for such groups to deliver care for as much as one fourth to one third less than the cost of comparable care under fee-for-service practice, with the economies reflecting in large part a significant reduction in haspitalisation and surgery.

In 1973 Congress passed legislation intended to encourage development of HMOs, but the law is widely considered to have had a discouraging effect, in part because of requirements that imposed economic hardships on fledgling organisations. Even so, numerous HMOs have been started in recent years. While many have had a wobbly beginning and are considered by experts to have questionable long-term viability, a number of new HMOs appear to have made a successful start.

While amendments to the HMO act last year eased some of the earlier restrictions, future HMO development may be impeded by an emerging problem created by a proliferation of state laws that conflict with one another and with the federal statute. HMOs and other alternatives, however, probably will play a slowly increasing role.

stemming of the spiral

All of these approaches combined, many analysts believe, can work in coming years to bring a slowing in the current 15 per cent rate of rise in outlays for hospital care. Some hazard the estimate that increases might taper to perhaps 12 per cent in 1980. A stemming of the spiral could result in a phasing-in of national health insurance in the early 1980s, which would push outlays up again.

In short, there should be no expectations of a dramatic slowing in the share health-care expenditures represent in total GNP in the foreseeable future. But some welcome moderation can be anticipated if existing forces for change gather momentum. With today's wide support for cost containment, the climate seems exceptionally favourable for innovation.

—Morgan Guaranty Survey

MOVING FINGER

Mr Shanti Bhushan, the Law minister, many say, is an ambitious man. One at least of his reported ambitions should be generally acceptable. It seems that he wants to go down in the history of the Indian government as the Law minister who cut the law's delays across the board. Most of us would wish him well if he really attempts to have a go at it. I won't say "all of us" because the profession of law and the machinery of the courts have their share of predators and parasites who have a vested interest in litigation. But before the Law minister sets out to launch a general assault on time-consuming legal complexities or judicial procedures or red tape, he might as well establish his *bona fides* by undertaking the really urgent task of specifically speeding up the processes of law in dealing with economic offences which directly cause recognizable hardship and distress to large sections of the community.

The need for such an effort becomes all the more important in the light of the just consensus there is against the use of the MISA against manufacturers and traders indulging in malpractices with regard to the distribution or pricing of essential commodities. While it is indeed necessary that these offenders should be dealt with according to the normal law of the land, there is absolutely no justification for letting them make an ass of the law. Right now any retail dealer in food articles or other provisions in any of the bazaars of the capital will tell you how small groups of distributors or wholesale traders are manipulating supplies or prices from day to day or even hour to hour with a view to creating artificial local shortages which could be exploited for charging high prices. A retail merchant in my locality was telling me the other day how the local administration's announcement of fair prices for some of the pulses promptly became a signal for wholesale merchants demanding under-the-table payments from the retail trade. Again, according to him, there is no reason why the prices of a whole lot of miscellaneous food articles, such as, for instance, *zeera* should have jumped up the way they have done.

It is important to note that, while the kind of threatening noises which the Janata ministers such as Mr Mohan Dharia or other Janata leaders such as Mr Chandra Shekhar are making against hoarding or profiteering is creating nervousness among the small traders who have consequently become extremely reluctant to stock better qualities or grades of food articles or other provisions for which they themselves have to pay fancy prices to the wholesale merchants, the big bad wolves at the higher reaches of the distribution channels continue to behave as if they could not care less. Not unnaturally retail traders and consumers are increasingly inclined to infer that some kind of unholy alliance does continue to exist between local politicians and local administration officials on the one hand and the distributors and the wholesale traders on the other. The government recently passed an ordinance to restore the workers' right to a minimum bonus, but it has been surprisingly indifferent towards setting the existing machinery of law into motion for protecting the interests of the general public. Would it be unfair then to suggest the government would act to protect only those interests which can effectively organize themselves to enforce their demands? I have never been impressed by housewives gathering to gherao ministers and thrust rolling pins under their noses. I must confess, however, that I am now tempted to imagine that these agitations may perhaps be serving an essential public purpose. Would Mrs Gandhi lead a demonstration, please? Mr Mohan Dharia should suffice as a target to start with.

Returning to the Law minister, I wonder whether he realises the serious discontent there is in the legal profession in the capital with the extent of favouritism which is suspected to be prevailing in such matters as the selection of lawyers to central government panels for the Delhi High Court or the Supreme Court. It is painful to hear from responsible members of the legal profession that ABC or XYZ has been chosen because he or his uncle or aunt is acquainted with or has access to this central minister or that. I would readily concede that not every one of such complaints can be taken at its face value, but when there is so much talk so consistent in content, it can hardly be dismissed lightly. In any case the recent resignation of Mr Santosh Chatterjee from the office of the first central government standing counsel in the Delhi High Court suggests that all is not as well as it ought to be.

Mr Chatterjee's letter of resignation has received less detailed publicity in the press than it deserves. This is unfortunate because his indictment of the Law ministry, to which he ascribes a large responsibility for the "existing mess-up of central government litigations in Delhi High Court with thousands of pending cases for which the central government is a party" demands an answer which the pressure of public opinion must compel the government to give. According to Mr Chatterjee, although the Law ministry maintains two well-staffed establishments as litigation sections, "incomplete and messy briefs" are dumped into the standing counsel's office, justifying the comment which is being made by judges that "government advocates only appear in the court to ask for adjournments." Mr Chatterjee, incidentally, has complained that not only has the Law minister expressed himself against the inquiry being conducted against his predecessor in office Mr H. R. Gokhale, by the Supreme Court bar association, but also the Law ministry continues to lavish patronage on "Gokhale" beneficiaries or favourites. Quite clearly Mr Shanti Bhushan would do well to establish lines of communication with the Delhi bar.

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TRADE WINDS

Rolling Plan

THE PLANNING Commission on September 10, 1977 decided to introduce the rolling plan concept with effect from April 1 next with a view to ensuring greater flexibility and realism in planning. The decision constitutes a major departure from the past pattern of five-year Plans which, it is now felt, proved to be vulnerable to changes in the domestic and international economics and did not adequately provide for the inevitable fluctuations in agricultural output.

Under the rolling plan concept—first introduced in India in the defence plan after the Chinese aggression in 1962—a five year Plan would be formulated as before but it would be revised every year in the light of the performance of the various sectors of the economy and availability of resources. There would thus be a five-year Plan in continuous existence, being reviewed and extended year by year. The rolling plan will cover the five-year span from April 1, 1978 to March 31, 1983.

The fifth Plan would be terminated on March 31, 1978 a year in advance. There would be no sixth Plan as such and no annual plans. This means that the controversy over the proposal to transfer annual planning from the Planning Commission to the Finance ministry has been side-stepped. The proposal was opposed by some circles on the ground that it sought to curtail the powers of the commission. As a result of the premature termination of the fifth Plan, the commission will be in a better position to incorporate in the planning document the new economic priorities of the Janata government with immediate effect.

State Budgets

Rajasthan

While presenting the first Janata budget in Rajasthan Vidhan Sabha recently, Finance minister, Master Adityendra anticipated a deficit of Rs 51.46 crores in 1977-78. He announced concessions worth Rs 1.35 crores but at the same time made fresh taxation proposals to yield Rs 2.50 crores. The net additional income through taxes will thus come to Rs 1.35 crores. He announced abolition of cess on commercial crops and declared that the state lotteries would be discontinued.

Gross expenditure on social and community services, economic services and general services has been raised to Rs 649.82 crores as against Rs 608.77 crores in the previous budget. Developmental expenditure has also been increased from Rs 415.36 crores to Rs 450.96 crores. Similarly an increase of about 17 per cent has been made in Plan provisions for 1977-78 bringing the figure to Rs 196.53 crores from Rs 168 crores. Investment to the extent of Rs 32.72 crores would also be made through centrally sponsored schemes. The Finance minister declared that institutional finance to the extent of Rs 183.59 crores would also be used to finance various developmental works.

The state Finance minister declared that the figure of Rs 21.22 crores deficit as shown in the previous budget was a deception since credits to the extent of Rs 21 crores had been taken without any firm basis. In addition to this the previous government also announced additional expenditures and tax concessions involving Rs 25.56 crores, Taking into account the deficit of Rs 7.48 crores carried over from the previous year, the total deficit would come to Rs 75.26 crores. Against this the modified budget proposals as presented by the Janata government show a deficit of Rs 61.11 crores only.

Orissa

The recasted Orissa budget for 1977-78 presented to the state assembly by Finance minister, Dr Ram Prasad Misra recently discloses an overall deficit of Rs 26.40 crores after taking credit for additional resources mobilisation measures expected to yield Rs 11.75 crores. Dr Misra claimed he had almost entirely balanced the receipts and expenditure for the year and the deficit including the outstanding ways and means of Rs 7.53 crores from the Reserve Bank, represented the opening minus balance.

On the revenue side, receipts and expenditure are estimated at Rs 377.73 crores and Rs 351.11 crores respectively leaving a surplus of Rs 26.62 crores. The transactions outside the revenue account disclose a deficit of Rs 58.37 crores with receipts and disbursement placed at Rs 160.97 crores and Rs 219.34 crores respectively. The deficit is, however, partly made up with some reserves. The additional resources mobilisation measures include collection of arrears of revenue of Rs 4.50 crores doubling the rate of cess on land revenue to yield Rs 80 lakhs, additional revenue of Rs 2.25 crores from forests, Rs 2 crores from sales tax and Rs 1 crore from excise duties. Besides, collection of cess on mining royalty and mining royalty are estimated to yield Rs 70 lakhs and Rs 50 lakhs more annually.

Indo-Vietnam Cooperation

India has agreed to cooperate with Vietnam to set up a rice research institute and a buffalo breeding centre in that country.

India will supply equipment for the institute and livestock for the centre as an outright gift. An agreement for this as well as another for an interest-free loan of 100,000 tonnes of wheat to Vietnam were signed between the two countries. Mr V.K. Ahuja, secretary in the ministry of External Affairs, who signed the agreements for India, said the pacts reflected the desire of both countries to promote cooperation, collective self-reliance and mutual help among non-aligned and developing countries.

Exchange Regulations for Sikkim

The government of India has extended the Foreign Exchange Regulation Act 1973 (FERA) to the state of Sikkim with effect from September 1, 1977. The various notifications issued by the government and the Reserve Bank under the provisions of the above act have also been extended to the state from this date. Accordingly, every person resident in Sikkim (other

than foreign nationals who are temporarily resident there) who owns any foreign exchange or foreign securities or immovable property outside India has to declare to the Reserve Bank particulars of all such holdings before November 1, 1977. Such declarations are required to be submitted to the Controller, Exchange Control Department, Reserve Bank of India, central office, Bombay. Further, the holders of foreign currency balances, barring certain exempted categories, should surrender such balances to an authorised dealer in foreign exchange before December 1, 1977. All applications for release of foreign exchange for various purposes in respect of persons, firms and companies resident in Sikkim are required to be submitted to the Exchange Control Department, Reserve Bank of India, Calcutta.

Indo-Iranian Collaboration

India and Iran have come to a "package of understanding" for further economic and technical cooperation. The massive bauxite reserves of the eastern sector to produce alumina for export and to meet domestic demands, production cooperation in paper and pulp manufacturing in India and manufacturing of basic intermediaries in petrochemicals in Iran are some of the key features of protocols signed recently between Iran's minister of Economic Affairs and Finance, Mr Hushang Ansary and Finance minister, Mr H.M. Patel. Mr Ansary told newsmen after the signing ceremony that his talks with the prime minister and cabinet ministers were "highly fruitful" and the visit an "unqualified success." Mr H.M. Patel expressed the hope that the protocol and understanding reached now would be a precursor for closer cooperation between the two countries.

Export Efforts

The union minister of state for Commerce, Mr Arif Beg, has called for greater emphasis on economic diplomacy as a measure to increase our exports and to get the rightful share for India in world trade. He has pointed out that although our exports had gone up from Rs 1960 crores in 1972-73 to over Rs 5000 crores in 1976-77, our share in the world exports have been very small. The minister made these remarks while inaugurating a training progamme on foreign trade for Indian Foreign Service probationers organised by the Indian Institute of Foreign Trade in New Delhi recently. Mr Beg emphasised the need to boost our exports specially to the oil rich gulf countries like Iran as well as to the south-east Asian nations. He pointed out that because of our geographical proximity with these countries and the availability of technical manpower and necessary raw materials, we would be in a better position to compete in these markets.

Indo-Swedish Cooperation

Vocational training programmes carried on in this country with the collaboration of Swedish International Development Authority were discussed when the Swedish parliamentary delegation on Asian study tour called on Mr S. Loveraj, Director General, Employment and Training. The delegation was informed that the National Vocational Training Institute for women at Delhi and the Regional Institute for Women at Bombay have already started functioning and similar regional institute at Bangalore will be opened shortly. Apart from the general exchange of views on the vocational training and employment programmes, other programmes and training schemes carried out in this country were also explaimed to the delegates.

Watch Unit for Bihar

Mr George Fernandes, union minister of Industry announced recently that it has been decided to establish a watch assembly unit of the Hindustan Machine Tools in Bihar. The site for the unit would be selected in consultation with the government of Bihar. Arrangements would be made for providing training to local hands. The minister hoped that training of manpower for the assembly unit and installation of plant would be completed in a period of nine months.

Groundwater Resources Exploration

Recent attempts for exploring possibilities of developing ground water resources in Tripura have opened a new vista. The Central Ground Water Board, working on a plan of deep drilling since 1972, has till today come across an assured adequate supply of water within 150m depth. The attempts have proved that the west Tripura district covering Agartala and Khowai bear large groundwater potential. The Central Ground Water Board has so far constructed eleven successful deep tubewells having a yield of 53,000 to 264,000 litres per hour. At Khowai, a tubewell gave a free flow of 54,000 litres per hour. This well is capable of irrigating 10 to 15 hectares of land without any energy output. Ground water exploration and resources evaluation studies have proved an area of 1100 sq km in Agartala valley and 250 sq km in Dharmanagar valley, suitable for ground water development.

Exports of Coir

The exports of Indian coir and coir goods have improved during the period January-May, 1977 at 18,882 tonnes valued at Rs 9.92 crores compared to 18,363 tonnes valued at Rs 9.8 crores of the same period of 1976. Of the export of coir goods, coir yarn topped the list. The export of coir yarn during January-May, 1977 totalled 10,963 tonnes valued at Rs 4.2 crores as against 10,944 tonnes valued at 4.7 crores in the period of 1976. The major importers were France, Netherlands, Burma, Portugal, Italy, GDR, the UK and the USA. France bought 3315 tonnes the next best customer, Netherlands imported 1394 tonnes.

The export of coir mats touched the figure of 4090 tonnes valued at Rs 3.18 crores, which was an improvement over the export of 3,876 tonnes at Rs 2.92 crores. The export of this item was mainly directed to the UK, Italy, the USA, West Germany, Australia and the USSR. The UK purchased this item at a value of Rs 73.6 lakhs in 1977 compared to Rs 77.50 lakhs, a little less, in 1976. Italy imported coir mats worth Rs 40.60 lakhs in 1977 compared to Rs 20 lakhs in 1976. Export of coir mattings witnessed an increase in terms of quantity and value in 1977 compared to 1976. The export in the period under review during 1977 was 2,075 tonnes valued at Rs 1.57 crores against 1,750 tonnes valued at Rs 1.1 crores in the corresponding months of 1976. There was however a little fall in export of rugs and carpets. Export of coir rope and coir fibre, curled coir

and rubberised coir goods also recorded improvement in 1977.

Britain's Balance of Payments

The volume of Britain's exports rose by eight per cent between 1975 and 1976, while her imports went up by six per cent. Spending by tourists and other visitors to Britain increased by 29 per cent in real terms during the last two years. These are only two of the many points of interest to be found in this year's issue of the official balance of payments "pink book" just published in London. The book gives a detailed tabular analysis of the United Kingdom's balance of payments with the rest of the world for each of the 11 calendar years between 1966 and 1976.

Banana Corporation

The Banana and Fruit Development Corporation, a central government corporation set up two years ago with a capital of one crore rupees to build an export market for Indian bananas has decided to close down its export wing in view of heavy financial losses in the export business. The corporation sold about 3,000 tonnes of bananas to Gulf countries in 1976 and was planning to double the exports in 1977. Indian bananas, golden in colour, were becoming increasingly popular in Gulf countries as an important table delicacy. But it had to face a number of difficulties, mainly owing to the lack of refrigeration facilities in ships, heavy freight charges (ships had to return empty as nothing could be bought from Gulf countries) heavy congestion in Arab ports and consequent deterioration in the quality of bananas. Increasing competition from some of the African countries was also an important consideartion. As export of bananas, fruits and vegetables, has been banned the corporation is planning to undertake internal marketing of bananas in Maharashtra, Gujarat, Kerala and Tamil Nadu, the principal banana producing states. It is also thinking of manufacturing chocolates from bananas for exports.

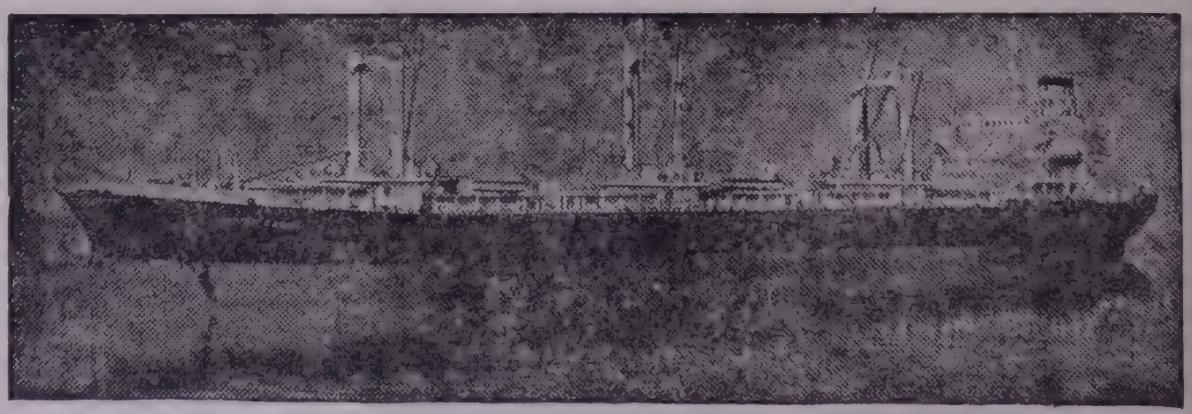
Rust Converting Composition

The Central Electrochemical Research Institute, Karaikudi, has developed a rust converting composition which can be used to convert rust on steel surfaces into a protective coating. The surface so converted acts as a good base for painting and increases the paint life. The composition can be applied by brushing on erected steel structures. The process for the manufacture of the composition consists in mixing phosphoric acid, manganese carbonate and acetic acid. A metal powder is added in suitable proportion to the above composition just before its application on rusted surface. The composition converts rust into a black, hard, protective coating in a period of two hours. All the raw materials used in the composition are indigenously available. No special equipment is required. Only tanks made of polythene are needed. A sum of Rs 3.03 lakhs will be required to put up an economically viable unit of 150 tonnes of rust converter per annum. The cost of production comes approximately to Rs 7.50 per kg.

Housing in Sixth Plan

Housing shortage at the beginning of the fifth five-year Plan was estimated at 15.6 million units—11.8 million in rural areas and 3.8 million in urban areas. This has been increasing from year to year due to rising population and the need for replacement of units that become unserviceable. To give an idea of the last mentioned requirement, the existing stock in the country is in the neighbourhood of 10-crore housing units, and on an average two per cent have to be replaced every year. In order to arrest the deteriorating situation and work out a definite approach to the problem of housing in the sixth Plan, it would be necessary, first of all, to set a long-term goal which takes care of the growing shortage on account of the three factors as stated above.

As regards the objective, it is proposed to tackle the entire problem within a time-frame of 20 years. The only effort required in order to achieve the above taget, will have to be in terms of construction of 3.5 million units in the rural areas and 1.25 million units in urban areas. Further, in view



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of the nature and magnitude of the problem, a separate policy approach and strategy has to be worked out for rural and urban areas. This is a gigantic task and it has to be seen as to what extent matching resources can be put up. Presently, the total investment in housing is around 2.0 per cent of the national income, and the Plan outlay, including institutional finance, on housing itself is over Rs 220 crores per annum. It may also be mentioned that in the field of housing, the investment is shared approximately in the ratio of 1:4 between the public and the private sectors.

Rajasthan Tourism Year

The government of Rajasthan has declared 1977 as the Rajasthan Tourism Year. SITA World Travel has, therefore, launched a sustained campaign to attract tourists to that state in the coming winter, by bringing out a brouchure in colour as promotional material. The year coincides with the 250th anniversary of the founding of the city of Jaipur by Maharaja Sawai Jai Singh in 1727.

The fanfare of festivities in Jaipur will commence on November 18, 1977. There will be a spectacular parade in which thousands of elephants, camels and horses, richly caparisoned and their mounts, dressed in their colourful traditional best will march in a stately procession along with chariots, musicians and dancers. Historical monuments including the Hawa Mahal, Ram Niwas Gardens and the museum will be illuminated. The hill top fortresses surrounding the city—Jaigarh, Nahargarh and Amber—will be floodlit. There will be concerts of music and dance of the Jaipur *Gharana* and *Kathak*, along with folk dances, folk music and puppet shows for which Jaipur and its inhabitants are well-known. Jaipur will host exhibitions to bring out its cultural heritage and its subsequent development. There will be a special showing of Rajput miniature paintings. Beauty contests in Rajasthani attires will be organised. Leading poets of the Indian sub-continent are expected to participate in the *Kavi Sammelans* and *Mushairas* (poetical symposia). Appropriately, Jaipur will also host an international conference on town planning. Jaipur, a planned city of mediaeval India, has come up well to fulfil the expectations entertained of it, by its founder.

Sugar Output

According to the Indian Sugar Mills Association, the sugar production in the month of July 1977, the tenth month of the 1976-77 season was about 13,000 tonnes as against 15,000 tonnes during the corresponding period last year. This brings the total production during the first ten months of the 1976-77 season to about 4,775,000 tonnes as against 4,221,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the month of July 1977 was about 321,000 tonnes for internal consumption and nil for exports as against about 290,000 tonnes for internal consumption and 57,000 tonnes for exports in the corresponding period last season. The total despatches in the first ten months in 1976-77 were 3,070,000 tonnes for internal consumption and 347,000 tonnes for exports as against 2,992,000 tonnes for internal consumption and 933,000 tonnes for exports during the corresponding period last season. The total closing stock of sugar with the factories as on July 31, 1977 was about 2,190,000 tonnes as against 1,502,000 tonnes on the same date last season.

Maputo Fair

For the first time India will be participating in FACISM'77 —an international trade fair of Mozambique in Maputo.

The Maputo International Fair is ranked as the fifth important international fair in Africa and the first in east and southern Africa. India is among the 19 countries participating in the Maputo Fair. Over 30 Indian firms and organisations including the State Trading Corporation and the Export Promotion Council, (Cotton Textiles, Plastics and Linoleum, Chemicals and Allied Products and Spices) are participating in the exhibition. Among the wide range of Indian products on view will be agricultural machinery, diesel engines, bicycles, jeeps and medical and surgical instruments.

Railway Freight and Passenger Traffic

The originating revenue-earnings freight traffic of the railways in July, 1977 amounted to 17.45 million tonnes, up by 0.44 million tonne as compared to the corresponding month of last year. Cumulative total revenue-earning tonnage lifted by the railways from April to July, 1977 was 70.36 million tonnes, 2.50 million tonnes more than the corresponding figure of the previous year.

There was increased movement under allthe plan headwise commodities, except pig iron and finished steel from steel plants, cement, fertilizers and other goods as compared to the corresponding period of last year.

The approximate number of passengers booked in the month of July, 1977, was 279 million, an increase of 7.6 million (2.81 per cent) compared to July, 1976. Both suburban and non-suburban traffic registered an increase of 3.93 and 1.45 per cent respectively as compared to the corresponding month of last year. The approximate number of passengers booked during the period April to July, 1977 totalled 115 million; registering an increase of 67.5 million over the previous year's level of traffic.

During this period, both suburban and non-suburban traffic showed an upward trend, the former by 8.08 per cent and the latter by 4.17 per cent over the corresponding period last year.

Janata Hotels

Ministers for Tourism from state and union territories unanimously supported the proposal to set up a chain of janata hotels all over the country providing inexpensive accommodation to domestic travellers and to budget travellers from overseas. The ministers agreed to give free land for the construction of janata hotels, They, however, pointed out that the janata hotels should not be confined merely to metropolitan cities but also to areas outside the metropolitan cities where these are needed from the point of development of tourism. The union department of Tourism agreed to provide them the models of 1,250 bedded unit, 500-bedded unit, 300-bedded unit and 150 bedded unit.

The ministers endorsed

proposal of the central department of tourism to immediately take up the task of preparing perspective plan for development of tourism in their respective states. Under these plans the states will identify and select places of tourist interest on the basis of following guidelines and criteria: (i) Tourist centres of national importance visited mainly by domestic tourists such as places of pilgrimage; (ii) tourist centres of national importance of interest to both international and domestic tourists such as places of historical, archaeological, scenic (including beach, mountain, lake etc.) and religious importance as also of wildlife interest; (iii) tourist centres of local importance visited only by domestic tourists. The states agreed to send the perspective plans to union department of Tourism by October, 1977. Apart from the idea of janata hotels, the state ministers of Tourism accepted the idea of constructing other supplementary accommodation i.e. camping sites/ huts, motels, youth hostels. The idea of improving the existing dharamshalas and utilising abandoned or less frequently used dak bungalows and upgrading the unclassified hotels was also accepted.

New PNB Branch

A branch of Punjab National Bank was opened in the capital at Shakti Nagar on September 7, 1977 by Mr O.P. Gupta, chairman of the bank. This brings the total number of offices of the bank to 1,356 in the country.

Names in the News

Mr Bhogilal (Manubhai) N. Kothary and **Mr Brijmohan Khanna** were unanimously re-elected as chairman and vice-chairman respectively at the annual general meeting of the Silk & Rayon Textiles Export Promotion Council held recently.

Mr Bhogilal (Manubhai) N. Kothari, chairman of the council is also the chairman of Rayex (India) Ltd, president of Shri Market Silk Merchants Association, partner of Suresh Textiles, Bindu Textiles, R. Bhogilal & Co. He is also vice-president of Silk & Art Silk Mills' Research Association. Mr Brijmohan Khanna is vice-president of Marathwada Chamber of Commerce and All India Embroidered Textiles Manufacturers' Association, vice-chairman of Rayex (India) Ltd and director of Sham Sunder Khanna & Sons P Ltd.

The following were also elected as members of the committee of administration of the council to fill the seats which had fallen vacant : Manufacturers—**Mr Bhogilal Manubhai N. Kothary** . and **Mr D.H. Ambani**, Merchant Exporters—**Mr M.H. Sheth, Mr Abdul Siddik Khatri** and Processor—**Mr A.C. Sheth.**

Government of India

6 PER CENT LOAN, 1993 (FOURTH ISSUE) TO BE ISSUED AT RS. 99.50 PER CENT AND REPAYABLE AT PAR ON 26TH JULY 1993.

6¼ PER CENT LOAN, 1998 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON IST OCTOBER 1998.

6½ PER CENT LOAN, 2005 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON IST OCTOBER 2005.

Subscription to the above loans will be received simultaneously and will be limited to a total of Rs. 450 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) Securities of the 4½ per cent Loan, 1977 which will be accepted for conversion at par. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible. Interest on the securities of 4½ per cent Loan, 1977 will be paid at the rate of 4½ per cent per annum upto and inclusive of 30th September 1977 at the time of issue of the new securities.

3. In the case of 6 per cent loan, 1993 (Fourth Issue) interest for the period 1st October 1977 to 25th January 1978 (inclusive) will be paid on 25th January 1978 and thereafter interest will be paid half-yearly on 26th July and 25th January. Interest on 6¼ per cent loan, 1998 and 6½ per cent loan, 2005 will be paid half-yearly on 1st April and 1st October.

4. Interest on all the loans now issued together with interest on other previous Government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs. 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax up to Rs. 1,50,000/-.

5. Subscription lists for the new loans will open on the 1st of October 1977 and close on 3rd of October 1977 or earlier without notice.

Applications for the loans will be received at:

(a) offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna and
(b) branches of the State Bank of India at all places in India except at (a) above.

6. Securities will be issued in the form of Promissory Notes or Stock Certificates. The advantages of investing in the form of Stock Certificates are as under:

(i) It is safer than a Government Promissory Note as the name of the holder is registered in the books of the Public Debt Office.
(ii) The Stock Certificate will be sent to the applicant direct by registered post by the Public Debt Office.
(iii) The half-yearly interest will be remitted to the holder direct by an interest warrant drawn at par on any Treasury or State Bank branch stipulated by the holder. If the holder so desires, the interest will be remitted by Money Order after deducting the Commission charges; in respect of Stock Certificate where the net amount of interest to be remitted is less than Rs. 20/- no money order commission will be charged.
(iv) If the holder wishes to sell his securities he can do so by signing the transfer form printed on the back of the Certificates in the manner prescribed therein.
(v) Government Promissory Notes in exchange for the Stock Certificate can be obtained by applying to the Public Debt Office and on payment of a nominal fee for each new note required.

7. For any further clarification, please apply to any of the offices or branches mentioned in paragraph 5.

COMPANY AFFAIRS

India Steamship

Mr K.K. Birla, chairman, India Steamship Co Limited, pointed out at the annual general meeting held recently that the depression faced by the world shipping industry since January 1975 had continued unabated throughout 1976. The shipowners, he stated, were in a quandary as to "whether it would be more economical to ply the ships for the sake of keeping them employed or laying them up."

Despite the prevailing depressed state of tramp markets coupled with the rise in operating costs, both of which have had an adverse impact on almost all the shipping companies by way of dwindled earning capacity and profitability, the Indian shipping industry has shown remarkable vitality and strength, he said. "It is indeed creditable that none of the Indian ships was laid up during the period under review inspite of all the odds against them."

It was encouraging to note, he added, that the share of Indian shipping companies in the transport of national cargoes that moved in the overseas trade increased during 1975-76 to 35.6 per cent from 28 per cent during the earlier year. Despite the gloom which was evident in all the aspects of shipping, this was an opportune time for acquiring additional tonnage because of price consideration. He welcomed in this context the decision of the government to offer through the ageucy of SDFC, foreign exchange loans to the tune of Rs 500 crores for acquiring tonnage over the next two years period ending with 1978-79.

Talking about the performance of India Steamship Company, Mr Birla pointed out that the company's freight earnings have remained almost stationary at last year's level, showing an increase of two per cent, despite the increased tonnage and the ships having been employed for more than 900 additional days, a rise of more than 11 per cent. This has eroded the profitability of the company to a considerable extent as large sums were required to be spent for keeping the ships running for every additional day.

Orient Paper

Orient Paper Mills has recorded improved results for the year ended March 1977 with production of paper and board going up to 129,805 tonnes from 118,794 tonnes last year. Sales increased to Rs 53 27 crores (Rs 50.47 crores), but the gross profit is slightly lower at Rs 9.50 crores (Rs 9.62 crores). Equity dividend of 17.5 per cent is payable on the capital as enlarged by one-for-two bonus issue and will absorb Rs 100.20 lakhs (Rs 76.35 lakhs). After providing Rs 2.28 crores (Rs 2.38 crores) for depreciation, Rs 6 lakhs (nil) for investment allowance reserve and Rs 4.60 crores (Rs 4.70 crores) for taxation, there is a disposable surplus of Rs 2.56 crores against Rs 2.55 crores. Equity and preference dividend will absorb Rs 1.13 crores (Rs 89.08 lakhs) A sum of Rs 1.40 crores (Rs 1.65 crores) has been transferred to general reserve

The directors state that in keeping with the government policy to encourage consumer goods industries, the company is taking steps to diversify its activities Application for an industrial licence for putting up a portland cement plant with an installed capacity of 900,000 tonnes is being made. The pilot paper machine for research work at Amlai is under erection and is expected to be commissioned in the current financial year

Sutlej Cotton

Sutlej Cotton Mills has reported good results for the year ended March 1977. Sales have increased to Rs 11.56 crores from Rs 7.66 crores and the gross profit to Rs 88.04 lakhs from Rs 61.53 lakhs in the previous year. After providing Rs 16.34 lakhs (Rs 14.65 lakhs) for depreciation, Rs 4.50 lakhs (Rs 1.75 lakhs) for investment allowance reserve/development rebate reserve and Rs 28.50 lakhs (Rs 15.75 lakhs) for taxation, there is a surplus of Rs 38.70 lakhs, against Rs 29.38 lakhs, Equity dividend has been raised from 10 per cent to 12.50 per cent and will absorb Rs 19.69 lakhs (Rs 15.75 lakhs) The balance of Rs 19.01 lakhs (Rs 13.63 lakhs) has been tranferred to general reserve. The directors state that the working of the Rajasthan Textile Mills showed improvement, but the results could have been still better had there not been an abnormal increase in cotton prices and a slump in synthetic yarn from November last. Additions and replacements of plant and machinery amounted to Rs 39.90 lakhs during the year.

Mafatlal Industries

Mr Arvind N. Mafatlal, chairman, Mafatlal Industries, told the shareholders recently that the company has embarked upon an expansion and diversification programme in the textile and chemical divisions at a cost of about Rs 15 crores. Total sales of the company in the first five months of the current year from April have amounted to Rs 19.82 crores against Rs 17.26 crores in the corresponding period of the previous year. He added that the textile division is doing well, while the chemical division has been affected by demand recession.

The company is setting up a dimethylaniline , project at Dewas (MP) at a cost of about Rs 1.75 crores. This is expected to be commissioned in 1978. It has chalked out an expansion and modernisation programme of its textile division which will cost about Rs 7 crores and is likely to be completed within five years. About five crores of rupees will be invested in the chemical division which is expected to fetch a turnover of about Rs 12 crores. The management will consider the question of bonus issue in the next year.

Mysore Cement

During the year ended March 1977, Mysore Cement has announced a dividend of 12.5 per cent. Clinker output came down from 387,000 tonnes in 1975-76 to 297,000 tonnes in 1976-77. Cement output during the year was 317,000 tonnes and despatches were around 316,000 tonnes. Sales have declined from Rs 12.3 crores to Rs 8.84 crores Gross profit declined from Rs 190.41 lakh to Rs 116.8

lakhs. The fall in sales is attributed to the setback in production caused by power shortage and escalation in the cost of various inputs such as raw materials, electricity, salaries and wages. The price increase of Rs 3.65 per tonne sanctioned by the government from July 1976, was reduced by Rs 1.85 per tonne from November which in turn affected the company's profitability.

After providing Rs 71.57 lakhs (Rs 63.28 lakhs) for depreciation, Rs 30.85 lakhs (Rs 4 lakhs) for investment allowance and Rs 10 lakhs (Rs 63 lakhs) for taxation, the net profit amounts to Rs 4.37 lakhs against Rs 60.13 lakhs in the previous year.

With the installation of balacing equipments, the capacity f the plant had increased by 50,000 tonnes to 550,000 nnes, but the same could not e utilised for want of adequate wer. The power supply posion has, however, improved om June 1977 and the plant now working at full capacity o further progress in the imementation of the Damoh oject has been possible beuse of the abnormal delay by financial institutions in gard to the finalisation of the ms and conditions of the n.

glish Electric

The English Electric Co of ia Ltd has reported good lts for the year ended rch 1977, with a marked in sales and profits. Equity dend has been stepped up 1 24 per cent to 28 per . As against a rise in gross me to Rs 17.27 crores from 13.60 crores the gross t has gone up to Rs 3.97 s from Rs 2.97 crores in revious year. After provi- Rs 18.22 lakhs (Rs 15.15) for depreciation, Rs 2.38 crores (Rs 1.75 crores) for taxation and Rs 1.90 lakhs (nil) for investment allowance reserve, there is a surplus of Rs 1.16 crores against Rs 1.07 crores. The dividend will absorb Rs 63 lakhs (Rs 54 lakhs) and the balance of Rs 52.85 lakhs (same) has been transferred to general reserve.

The directors state that a number of new static relays have been added to the product range. Production of relays increased during the year, enabling quicker deliveries to customers. Barring high rupturing fuse links whose demand decreased sales of fusegear standard products and rectifier fuse-links showed a upward trend. Production of phase comparison protection scheme and intertripping system is scheduled for 1978-79. The company hopes to convert letters of intent for the manufacture of new items of electronic test equipment into industrial licences in the near future.

Aluminium Industries

Aluminium Industries (ALIND) has suffered a setback during 1976-77 with its gross profit declining sharply from Rs 11.29 crores to Rs 59.60 lakhs despite an increase in sales from Rs 18.84 crores to Rs 31.43 crores. The directors have, however, proposed to maintain the equity dividend of 10 per cent. The setback is attributed to the sluggish demand for aluminium conductors and cables. The switchgear division also encountered a setback because of the daly in the receipt of some big orders. The steel products division and machinery division, however, reported a satisfactory performance. Though the exports of conductors declined sharply as a result of the keen competition, machinery exports picked up and the demand for these items appears to be promising.

Pilani Investment

Pilani Investment Corporation has recorded an increased gross profit of Rs 1.74 crores for the year ended March 1977 against Rs 1.54 crores in the previous year. After providing Rs 2.28 lakhs (Rs 2.40 lakhs) for depreciation and Rs 47.60 lakhs (Rs 51.05 lakhs) for taxation, there is a disposable surplus of Rs 123.81 lakhs (Rs 100.82 lakhs). Equity dividend has been raised from 10 per cent to 12.5 per cent which will absorb Rs 43.94 lakhs (Rs 35.15 lakhs). The balance of Rs 79.87 lakhs (Rs 65.67 lakhs) has been transferred to general reserve.

Central Bank

Central Bank of India made a profit of Rs 140.45 lakhs during the year ending December 1976 as against Rs 129.56 lakh in the previous year. The total deposits with the bank rose by 23.4 per cent from Rs 1067.63 crores (made up of Rs 492.73 crores of demand deposits and Rs 574.90 crores of time deposits) to Rs 1317.19 crores (made up of Rs 599.65 crores of demand and Rs 717.54 crores of time deposits).

The Bank recorded a large credit expansion of Rs 246 crores or 29.5 per cent, reaching a level of Rs 1081 crores. The incremental credit to deposit ratio was very high, the corresponding ratio of non-food credit declining sharply from 76.9 per cent to 62.3 per cent.

The branch expansion programme was accelerated during 1976, when 122 new offices were opened as compared to 77 in the previous year. Locationally, the hitherto unbanked centres and particularly those in backward states were preferred. The important feature of branch expansion in 1976 was that as many as 75 branches were opened in backward states, of which 14 were opened in unbanked Community Development Blocks and 17 in unbanked centres. The branches opened in rural and semi-urban centres totalled 60. Besides 120 branch offices, eleven extension counters were also opened. By the end of 1976, the bank's network of offices increased to 1,419 (including one at London), thereby inproving further the geographical spread.

New Standard Engineering

The chairman of New Standard Engineering, Mr J.V. Patel, has stated that the company is going ahead with considerable additions to its manufacturing facilities. This is to add new capability as also to replace the old equipment. These additions represent the company's efforts to diversify, expand and modernise. The company expects to maintain the higher growth in production and profits in the current year as well. Orders on hand amounted to Rs 15 crores. The position is expected to show a substantial improvement with some large orders likely to be finalised shortly.

Fertilisers and Chemicals

Sales of the Fertilisers and Chemicals, Travancore were arround Rs 63.21 crores during the year ended March, 1977 against Rs 65.28 crores in the previous year. The working has resulted in a net loss of Rs 13.96 crores against Rs 12.84 crores, after providing Rs 7.26 crores (Rs 7.50 crores) for depreciation. The production performance of the Udyogmandal division was generally satisfactory. It would

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have been better but for power cut and power failures. The first phase of the Cochin division also achieved record production levels of various products. The company marketed 456,000 tonnes of its products against 423,000 tonnes in the previous year. Lower turnover was due to the major price reductions effected by the government during the year.

The adverse working is attributed to the Cochin first phase being operated at much below the rated capacity leading to higher burden of depreciation and other fixed costs not recovered, sales of ammonium sulphate at the present uneconomic, statutorily fixed prices compared to optimum production costs and the imbalance in the debt-equity ratio. The company has made representations to the government and some relief in the ammonium sulphate prices is expected in the current year. Similarly, its proposals for restructuring its capital with a view to reducing the interest burden is receiving the government's consideration.

When the second phase of the Cochin division commences full production it will have to handle another 500,000 tonnes of fertilisers. The engineering and design organisation made satisfactory progress in the execution of various projects. There are proposals to diversify the Udyogmandal division.

News and Notes

R.G. Ispat has achieved higher sales of Rs 34.42 lakhs for the half-year ended June 30, 1977, against Rs 24.70 lakhs in the corresponding half-year of 1976 and Rs 49.43 lakhs for the full 1976 year. Production of grinding media had increased to 1,342 tonnes in January-June 1977 from 834 tonnes in January-June 1976, but there was no steel ingot output in the first half of the current year against 250 tonnes in the corresponding period last year.

Sales of **Vickers Sperry of India** in the first five months of the current year (April-August) had been higher at Rs 148.5 lakhs against Rs 136.56 lakhs in the same period of the previous year. Orders booked during the period were also higher at Rs 167 lakhs against Rs 144 lakhs in the corresponding period of 1976-77. The company had made considerable progress in the area of developing the business of hydraulics for marine equipment. Achievements in this area cover hydraulic drive winch packages for fishing trawlers, hydraulics for dredger-cutting suction, dredger suction-hopper and complete hydraulic systems for hatch covers for cargo vessels.

The **Melamine and Fibre Boards** has shown increased sales by about 17 per cent to Rs 60.21 lakhs during the year ended March 1977 from Rs 51.77 lakhs a year before. Gross profit increased by 10.6 per cent to Rs 6.36 lakhs from Rs 5.75 lakhs in the previous year. After providing Rs 1.45 lakhs (Rs 1.15 lakhs) for depreciation, Rs 2.40 lakhs (Rs 2.30 lakhs) for taxation and making other adjustments, there is a surplus of Rs 2.04 lakhs against Rs 1.62 lakhs. Equity dividend has been maintained at 12 per cent which will absorb Rs 1.20 lakhs. A sum of Rs 80,000 (Rs 10,000) has been transferred to general reserve. Reprocessing of hard boards was suspended because of 25 per cent increase in excise duty from January last.

The **Victoria Mills** hopes to improve its performance in the current year. Mr Madanmohan Mangaldas, chairman, told the extraordinary general meeting that if the current year was likely to end up with a slightly higher profit of around Rs 1 crore against Rs 92 lakhs in the previous year. Sales were expected to be around Rs 12 crores in 1977 against Rs 10 crores in 1976. Exports in the first eight months of the current year totalled Rs 1.71 crores against Rs 1.34 crores in the same period of 1976. Exports were expected to fall appreciably in the remaining part of the current year. They aggregated Rs 2.24 crores in 1976.

New Issues

Shree Vindhya Paper Mills Ltd, a running company entered the capital market on September 12, 1977 with a public issue of 430,500 equity shares of Rs Rs 10 each at par.

Incorporated in 1964 in the state of Maharashtra, it proposes an expansion project at the existing site to create an additional capacity of 1500 tonnes of coated papers and diversifying into manufacture of laminated papers, and to introduce some new products such as plastic dispersion coated papers, polythene, glassine and other laminated papers.

The total cost of the project is estimated at Rs 172.8 lakhs of which Rs 142.5 lakhs will be invested in land and buildings, imported machinery, drawing, designs, data, indigenous plant and machinery including cost of erection of imported machinery and import duty etc. On the finance side share capital will finance Rs 60 lakh, foreign exchange term loans from IFCI and ICICI will amount to Rs 43.8 lakhs, rupee term loans from IFCI and ICICI Rs 40 lakhs and internal cash accruals Rs 29 lakhs. The plant is located in village Panchak near Nasik in the state of Maharashtra. The main object of the issue is t provide a part of finance fo expansion and diversificatio project.

Capital and Bonus Issues

Consent has been granted t the following companies t raise capital. The details are a follows:

SAP, Chemical Industries Ltd Thana (Maharashtra) has bee accorded consent, valid for si months, to capitalise Rs lakh out of its general reserv and issue fully paid equit shares of Rs 100 each as bonu shares in the ratio of one bonu share for each equity shar held.

Polyolefins Industries Ltd Bombay has been accorde consent, valid for six months to capitalise Rs 1.8 crores ou of its general reserve and issu fully paid equity shares o Rs 100 each as bonus shares i the ratio of one bonus share for four equity shares held.

Rajasthan State Industrial an Mineral Development Corpora tion Ltd, a public limited com pany having a paid-up capita of Rs 4.5 crores has beer accorded consent to issu 100,000 debentures of Rs 10 each, totalling Rs 10 million (with the right to retain addi tional subscription upto 10 pe cent of the notified amount carrying interest at 6-1/4 pe annum at the issue price o Rs 98.85. The debentures wil be redeemable after 10 year and shall be payable to regis tered holders only.

Acme Rayon Doubling Mill Pvt Limited, Bombay has bee granted consent valid for si months to capitalise Rs 1.2 lakhs and issue 2,500 fully pai equity shares of Rs 50 each a bonus shares in the ratio of on bonus share for each equit share held.

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of June, 1977. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and annual installed capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Ahmedabad Steelcraft & Rolling Mills (P) Ltd., Odhav, Ahmedabad-23. (Ahmedabad-Gujarat)—Special Sections (Textiles and Automobile), Window and Door Sections, and Light Structurals—5,000 tonnes. Bars and Rods—2,000 tonnes. (COB)

M/s Guest Keen Williams Ltd, 3A, Shakespeare Sarani, Calcutta-700016. (Bangalore-Karnataka)—Elastic Rail Spike —25,00,000 Nos. (NA)

M/s Punjab United Forge Ltd, S.C.O. 54, 55 & 56, Sector 17-A, Post Box No. 81, Chandigarh-160017. (Hoshiarpur-Punjab)—Closed Die Forgings—5,000 tonnes. (N.U.)

M/s Usha Martin Black (Wire Ropes) Ltd, 14, Princep Street, Calcutta. (Ranchi-Bihar)—Steel Wire Ropes of 3″ and above diameter—1,300 tonnes. (SE)

M/s Modi Steels (P) Ltd, P-22, Swallow Lane, Calcutta-700001. (Patna-Bihar)—Mild Steel and Medium Carbon Cold Rolled Strips including Box Strappings—1,500 tonnes—(COB)

Metallurgical Industries (Non-Ferrous)

M/s Hindustan Zinc Ltd, 6, New Fatehpura, Udaipur (Rajasthan) (Dhanbad-Bihar)—Lead—8,000 tonns* Silver—12 tonnes.* (*after expansion)—(SE)

Electrical Equipment

M/s H.K. & Company, 10/14, Shamset Street, Chhipi Chawl. Bombay-400002 (Maharashtra)—Miniature D.C. Motors for the tape recorders and record players—1,00,000 Nos (NU)

M/s Teletube Electronics (P) Ltd, D-34 & 35, Sector 17, Ravinagar Indl. Area, Ghaziabad-201001 (U.P.) (Ghaziabad-U.P.)—TV Picture Tubes—From 40,000 Nos to 1,00,000 Nos, —(SE)

M/s Usha Rectifier Corporation (India) Ltd, Jeevan Tara, 5, Parliament Street, New Delhi-110001 (Faridabad-Haryana)—(i) Thyristor Controlled DC Variable Drives 100 HP to 300 HP—90 Nos, 300 HP to 500 HP—10 Nos (ii) Thyristor Controlled AC Variable Drives 25 HP to 100 HP—90 Nos, 100 HP to 200 HP—10 Nos—Total capacity rating 20,000 KW—(NA)

M/s S & S Bushings Ltd, Dhun Building, 175/1, Anna Salai, Madras-600002 (Bangalore-Karnataka)—1. Current Transformers 11 KV—1,800 Nos, 22 KV—600 Nos, 33 KV—500 Nos, 66 KV—600 Nos. 2. Potential Transformers : 11 KV—1,800 Nos, 22 KV—600 Nos, 33 KV—500 Nos, 66 KV—400 Nos—(NU)

Telecommunications

M/s West Bengal Electronics Industry Development Corporation Ltd, 225E, Acharya Jagdish Chandra Bose Road, Calcutta-700020 (Calcutta-West Bengal)—1. Walkie Talkie Sets (all types of transmitter receivers) for use by Police, CRP, BSF and other Government Civil Agencies—8,000 Pcs, 2. Walkie Talkie Sets (all types of transmitter receivers) for use by Defence (Army/Navy/Air force)—4,000 Pcs, 3. Communication Receiver Sets—400 Pcs, 4. Pocket Size Personal Communication Systems (Transmitter and Receivers)—200+10,000 Pcs—(NU)

Industrial Machinery

M/s Braithwaite & Co Ltd, 5, Hide Road, Calcutta-700043 (Calcutta-West Bengal)—Coke Pusher and Leveller Machine—3 Nos—(NA)

M/s T. Maneklal Manufacturing Co Ltd, Vaswani Mansions, Dinshaw Vachha Road, Post Box No. 11068, Marine Lines, Bombay-400020 (Ahmedabad-Gujarat)—1. Rotary Screen Printing Plant Consisting of : (a) Rotary Screen Printing Machines. (b) Sample Printer, (c) Screen Washing Arrangement, (d) Colour Pipe Washing Arrangement, (e) Colour Kitchen Equipments and Accessories—Total capacity 3 Nos, 2. Long Table Printing Equipment—3 Nos, 3. Flat Screen Printing Machines—4 Nos, 4. Rotary Screen Manufacturing Equipments both for Galvano and Lacquer Screen—3 Nos—(NA)

M/s Nizam Sugar Factory Ltd, Fateh Maidan Road, Hyderabad-500004 (Nalgoda-AP)—Boiling House Machinery for Sugar Factory—1,000 tonnes (after expansion)—(SE)

M/s Central India Machinery Mfg Co Ltd, Bharatpur, (Rajasthan) (Bharatpur-Rajasthan)—The following items of Cement Plant Machinery : 1. Rotary Kiln, 2. Ball Mills, 3. Air Slides, 4. Conveyors, 5. Elevators, 6. Feeders, 7. Crushers, 8. Vibrating Screens, 9. Air Separators, 10. Dust Collectors, 11. Blowers and Fans, 12. Pre-heaters, 13. Grate Coolers, 14. Cyclones, 15. Electrostatic Precipitator and Separator, 16. Conditioning Tower—Total capacity 2,200 tonnes—(NA)

Commercial and Household Equipment

M/s Business Machines India Ltd, Sir C.P. Ramaswamy Iyer Rd, Alwarpet, Madras-600018 (Srikakulam-Andhra Pradesh)—1. Standard Typewriters—12,000 Nos, 2. Portable Typewriters—6,000 Nos—(NA)

M/s Ahmedabad Eagle Engineering Enterprises Private Ltd, 410, Naroda Indl. Estate, Naroda, Ahmedabad-282330 (Ahmedabad-Gujarat)—Electrically Operated Cash Registers—5,000 Nos—(SE)

Industrial Instruments

M/s National Instruments Ltd, 1/1, Raja Subodh Chandra Mullick Road, Calcutta-700032 (Calcutta-West Bengal)—Domectic Gas Meters—20,000 Nos—(NA)

Chemicals (Other than Fertilisers)

M/s Sudarshan Chemical Industries Ltd, 162, Wellesley Road, Sangam Bridge, Poona-411001 (Maharashtra)—Bon Acid —600 tonnes(NA)

M/s Sudarshan Chemical Industries Ltd, 162, Wellesley Road, Sangam Bridge, Poona-411001 (Colaba-Maharashtra)—1. Naphthols—300 tonnes, 2. Fast Colour Bases—300 tonnes—(NA)

M/s Asiatic Soap Company, 8, BBD BAG EAST (Dalhousie Square), Calcutta-700001, (Howrah-West Bengal)—Distilled Fatty Acids—4,800 tonnes—(NA)

M/s Savita Chemicals Private Ltd, Jolly Maker Chambers, No. 1, Nariman Point, Bombay-400021 (Bombay-Maharashtra) —Alkyl Benzene Slurry (Acid Slurry)—159 tonenes—(COB)

M/s Snowcem India Ltd, Killick House, Charanjit Rai Marg, Fort, Bombay-400001 (Bombay-Maharashtra)—1. Cement Paints (Powder)—7,000 tonnes, 2. Cement Paints (Liquid)—140 kilo litres—(COB)

M/s Upar Chem Ltd, 117/491, Pandunagar, Kanpur (Unnao-UP)—Beta Naphthol—1,500 tonnes—(NU)

Drugs and Pharmaceuticals

M/s Indian Drugs & Pharmaceuticals Ltd, N-12, South Extension, New Delhi-110049 (Dehradun-UP)—1. Formula-

tion of Ampicillin—24 million Capsules, 2. Formulation of Erythromycin—24 million tonnes(NA)

M/s Hoechst Pharmaceuticals Ltd, Hoechst House, Nariman Point, 193, Backbay Reclamation, P.B. No. 11123, Bombay-400021 (Bombay-Maharashtra)—1. Catilan Capsules—11.1 million Nos, 2. Vitahext—3.1 lakh litres, 3. Hostocortin 'H' 10 ml—77,000 vials—(COB)

M/s Fairdeal Corporation (Pvt) Ltd, Lakshmi Building, Sir P.M. Road, Fort, Bombay-400001 (Colaba-Maharashtra)—1. Nitrazepam B.P.—1,000 Kgs, 2. 2-Amino-5-Nitrobenzophenone—1,500 Kgs—(NA)

M/s Cibatul Ltd, P.O. Atul, Dist. Valsad (W. Rly) (Valsad-Gujarat)—Bisphenol-A—302 tonnes (COB)

M/s Atul Products Ltd, P.O. Atul (W. Rly), Dist Bulsar-396020 (Bulsar-Gujarat)—Chloro Iodo Hydroxy Quinoline—170 tonnes (after expansion)—(SE)

Fermentation Industries

M/s Kalburgi Distilleries, Dajibanpeth, Hubli, Distt. Dharwar (Karnataka) (Dharwar-Karnataka)—Indian Made Foreign Liquors—1,100 kilolitres (on provisional basis)—(COB)

M/s Deokars Distillery, MIDC's Plot No. D-1, Kherdi Chiplun, Distt. Ratnagiri (Ratnagiri-Maharashtra)—Indian Made Foreign Liquor—44 bulk kilolitres—(COB)

M/s Deccan Sugar & Abkhari Co Ltd, Samalkot (A.P.) (Samalkot—AP)—Country Liquor—3533 bulk kilolitres—(COB)

Vegetable Oils and Vanaspati

M/s Vijay Durga Cotton Trading Ltd, P.B. No. 185, National Highway No. 5, (Bypass Road) (Guntur-522003 (AP) (Guntur-Andhra Pradesh)—Cottonseed Oil—35,000 tonnes in terms of Cottonseed (after expansion)—(SE)

M/s Tamil Nadu Co-operative Marketing Federation Ltd, No. X-401, 40-A, St Mary's Road, Madras-18 (South Arcot-Tamilnadu)—Vegetable Oil—10,000 tonnes in terms of Sunflower/minor oilseeds—(NU)

Rubber Goods

M/s Banco Aluminium Ltd, Post Box No. 169, Baroda-390001 (Baroda-Gujarat)—(a) Rubberised Cork in various forms such as Frames, Sheets and Slabs—77 tonnes. (b) Extruded and Moulded Rubber Goods such as Rings, Washers, Ferrules, '0' Rings and Packings—17 tonnes—(COB)

Leather and Leather Goods

M/s South East Tanning Co, 1-C, Naval Hospital Road, Periamet, Madras-600003 (North Arcot-Tamil Nadu)—Shoe Uppers—5 lakhs pairs—(NA)

Glass

M/s Shree Vallabh Glass Works Ltd, Anand Sojitra Road, Vallabh Vidyanagar-388120 (Vallabh Vidyanagar-Gujarat)—Figured and Wired Glass—2.6 mill sq mts—3.5 million sq mts (after expansion)—SE)

Cement and Gypsum Products

M/s J.K. Synthetics Ltd, Kamla Tower, Kanpur (UP) (Chittorgarh-Rajasthan)—Port Land Cement—6.72 lakh tonnes (after expansion)—(SE)

Letters of Intent

Mettallurgical Industries (Ferrous)

Mr P.S. Chandrasekar, C/o Udipi Hotel Sudha, 47, Poonamalli High Road, Madras-600084 (Dharampuri/North Arcot-Tamil Nadu)—1. S.G. Castings—1,500 tonnes. 2. M.I. Castings—1,000 tonnes. 3. C.I. Alloy Castings—500 tonnes—(NU)

M/s Ajay Industries Ltd, 23/24, Radha Bazar Street Calcutta-700001 (Burdwan-West Bengal)—Closed Die Steel Forgings—660 tonnes—1400 tonnes (after expansion)—(SE)

Electrical Equipment

M/s Philips India Ltd, Shivsagar Estate, Block 'A', Dr A.B. Road, Worli, Bombay-400018 (Poona-Maharashtra)—1. Carbon Resistors—From the present capacity of 55 million Nos to 145 million Nos (after expansion). 2. Electrolytic Capacitors—14 million Nos (after expansion) (including 0.7 M. Nos long life and 1.3 M. Nos professional types equivalent to 101 and 108 series). 3. Carbon Potentiometers —5 million Nos (after expansion)—(SE)

M/s Indian Carbide & Chemicals Ltd, 32, Jawaharlal Nehru Rd, Calcutta-700016 (Keonjhar-Orissa)—Calcium Carbide Electric Furnace—2 Nos—(NA)

M/s Power Systems and Projects Pvt Ltd, System House, Palghat-678007 (Palghat-Kerala)—1. Precision Impedance Bridge (accuracy better than .5%)—50 Nos. 2. High frequency band width Oscilloscope (more than 50 MHz)—100 Nos 3. Precision power supply (resolution better than 0.002%)—200 Nos. 4. Selective level meters—50 Nos. 4. Strip chart recorders and X-Y recorders—100 Nos. 6. Digital frequency counters—100 Nos. 7. Digital multimeter (with auto and remote range selection facility)—100 Nos. 8. Sweep generators to cover upto VHF/UHF/microwave ranges—50 Nos—(NA)

M/s Wandleside National Conductors Ltd, Industrial Estate, Lalbaug, Bombay-400012 (Poona-Maharashtra)—1. Wire Enamels—95 tonnes. 2. Impregnating Varnishes—30 tonnes. 3. Fabric Impregnating Varnishes—30 tonnes. 4. Silicon Varnishes—1.5 tonnes. 5. Thinner—55 tonnes—(NA)

M/s Keltron Counters Ltd, Marikar Building, 2nd Floor, P.O. Box No. 70, Trivandrum-695001 (Trivandum-Kerala)—1. Digital Programme Timers—5,000 Nos. 2. Electronic Time Movements—5,000 Nos—(NA)

Dr. Sajjan G. Chandra, c/o ORRCEE Electronics Pvt Ltd, No 18, Police Station Rd, Basavanagudi, Bangalore-560004 (Mysore-Karnataka)—1. Polystyrene Film Capacitors (10 UF to 5 UF and typical upto 1000V (professional grade)—3.0 million Nos. 2. Metallized polyester/polypropylene polysulfone/teflon & polycarbonate film capacitors 0.01 to 50 UF & upto 1000 V (professional grade) —4.5 million Nos. 3. Polyester/polypropylene/polysulfone/teflon film capacitors 0.001 UF to 1 UF & upto 1000 V to 450 V—3.0 million Nos. 4. Polycarbonate film capacitors 0.001 UF to 1 UF & upto 1000 V—1.5 million Nos—(NU)

Mr A.N. Angre, Pradhan Bldg, No 2, Gokhle Road, Thane-400601 (Colaba-Maharashtra)—Triacs : less than 30 Amps—2,25,000 Nos, greater than 30 Amps—75,000. Nos. Diacs : 6-9 Volts 300,000 Nos, 26-35 Volts—300,000 Nos—(NU)

M/s Jay Electric Wire Corpn Ltd, Maker Bhavan No 2, 5th Floor, New Marine Lines, Bombay-400020 (Mysore-Karnataka)—1. Tungsten Filaments from 30,000,000 Nos (existing) to 90,000,000 Nos (after expn) 2. Tungsten Wire from 60,000,000 Nos (existing) to 120,000,000 Nos (after expn) 3. Molybdenum Wire (Support wire & Mandrel wire)—30,000,000 Mtrs or 5,500 Kgs—(SE)

Telecommunications

Mr Damodar Ratna, 3A-Bel Air, 9-Pali Hills, Bombay-400050 (EPZ Bombay-Maharashtra)—Loud Speakers—12 lakh Nos—(NU)

Transportation

Mr H.K. Firodia, 1215, K.P. Kulkarni Road, Poona-4 Aurangabad-Maharashtra)—Constant Velocity Drive Shafts—0,000 Nos—(NU)

M/s J & K State Indl Development Corpn Ltd, Haft Chinar, rinagar (Jammu—J&K)—Automobile Car Axle Shafts—2.5 lakh Nos, Automobile Truck Axle Shafts—2.5 lakh Nos—(NU)

Industrial Machinery

M/s Andhra Pradesh Industrial Development Corporation td, B-1-174, Fateh Maidan Rd, Post Box No 13, Hyderabad-0004 (AP) (Krishna-Andhra Pradesh)—Chemicals and Pharaceutical machinery and Ceramic machinery—2,000 tonnes—NU)

M/s Peass Industrial Engineers Pvt Ltd, Manek Lal Road, Navsari-396445 (Bulsar-Gujarat)—Hank to Cheese and Cone Winders—18 Nos of 72 spindles each—(SE)

M/s Modella Woollens Ltd, Resham Bhavan, Veer Nariman Rd, Bombay-400020 (Bhopal-MP)—1. Complete carding sets suitable for woollen waste shoody, cotton waste and synthetic waste—72 Nos. 2. Complete ring spinning frames for woollen waste, shoddy cotton waste and synthetic waste—120 Nos. 3. Worsted/synthetic cards—6 Nos. 4. Semi-worsted cards—4 Nos. 5. Fear Naught Picker—6 Nos. 6. Intermittent shaker—6 Nos 7. Garnet Machines—6 Nos—(NU)

M/s Lakshmiratan Engineering Works Ltd, Empire House, Dr D.N. Road, Bombay 1 (Maharashtra)—Bench and Machine Vices—25,000 Nos—(NA)

M/s The Indo-Burma Petroleum Company Ltd, Gillander House, Netaji Subhas Road, Calcutta-700001 (Maharashtra)—Rotary Vane Vacuum Pumps—1,000 Nos—(NA)

M/s Air Conditioning Corporation Ltd, 17, Taratolla Road, Calcutta-700053 (Calcutta-West Bengal)—Air Pollution Control Equipment—300 Nos valued at Rs 200 lakhs—(NA)

M/s Murphy India Ltd, Eastern Express Highway, P.O. Box 91, Naupada, Thana-400602 (Thana-Maharashtra)—1. Oscillator/Function Generator/Service Generator—200 Nos. 2. Time/Frequency Counter—100 Nos. 3. Power Meters—100 Nos. 4. TV Pattern Generator—100 Nos. 5. Component Tester/Bridges—200 Nos. 6. Strip Chart/X-Y Recorder—300 Nos. 7. Sweep Generator/Analyser/Display —150 Nos. 8. H.P. Synthesizer/HF Signal Generator—75 Nos—(NA)

M/s Elecon Engineering Company Ltd, Vallabh Vidyanagar, Dist Kaira (Gujarat) (Kaira-Gujarat)—Troughing Idlers, Return Rollers, Belt Conveyors, Screw Conveyors, Chain Conveyors and Bucket Elevators—10,000 tonnes (after expansion)—(SE)

M/s Indo-Burma Petroleum Co Ltd, Gillander House, Netaji Subhas Road, Calcutta-700001 (Maharashtra)—Freeze Drying Plants—50 Nos—(NA)

Machine Tools

M/s Usha Telehoist Ltd, 14, Princep Street, Calcutta-700072 24-Parganas-West Bengal)—Hydraulic Cylinders—16,000 running metres of finished Cylinders—(NU)

M/s Bharat Fritz Werner (P) Ltd, Peenya, Yeswanthpur P.O., Bangalore-560022 (Bangalore North-Karnataka)—Spline Shaft Grinder—20 Nos—(NA)

M/s Bharat Fritz Werner (P) Ltd, Peenya, Yeswanthpur P.O., Bangalore-560022 (Bangalore North-Karnataka)—Gear Grinder—15 Nos—(NA)

M/s SLM—Maneklal Industries Ltd, Vaswani Mansions, Dinshaw Vachha Road, P.B. No. 110066, Marine Lines, Bombay-400020 (Ahmedabad-Gujarat)—Extruders for plastic processing and related take off equipments—50 Nos—(NA)

M/s Dagger Forst Tools Ltd, First Pokhran Road, Thana-400606 (Maharashtra)—1. Spline Mandrels—1500 Nos. 2. Master Gears—750 Nos. 3. Serrated Rollers—750 Nos—(NU)

Industrial Instruments

M/s Danfoss (India) Ltd, 706-707, Surya Kiran, 19, Kasturba Gandhi Marg, New Delhi-110001 (Ghaziabad-UP)—Metallic bellows—3 lakh Nos—(NA)

M/s Taylors Instrument Company (India) Ltd, 14, Mathura Road, P.O. Amar Nagar, Faridabad-121003 (Faridabad-Haryana)—1. Transmitters for pressure Diff pressure, Temperature and Level—600 Nos. 2. Recorders/Indicators, Recording/Indicating Controllers—1,100 Nos. 3. Relays such as square root extraction, Integrating Computing ratio & Deviation alarm —300 Nos. 4. Manual Loading Stations—100 Nos. 5. Analysers such as Infra-red Oxygen Gas Chromatograph—100 Nos. 6. Magnetic Flow Meters—200 Nos. 7. Battery Back Up systems—200 Nos. 8. Multipoint Recorders—400 Nos—Total—3000 Nos—(NA)

Fertilisers

M.s Vanaz Engineers Pvt Ltd, 396, Veer Savarkar Marg, Prabhadevi, Dadar, Bombay-400025 (Poona-Maharashtra)—Non-ferrous forgings/stampings—600 tonnes (after expansion)—(SE)

Chemicals (Other than Fertilisers)

M/s J.K. Chemicals Ltd, J.K. Bldg, N. Morarjee Marg, Ballard Estate, Bombay-400001 (Bongaigaon-Assam)—Carbon Black—12,000 tonnes—(NU)

M/s Chowgule & Co Pvt Ltd, Chowgule House, Mormugao Harbour, Goa (Karnataka)—Industrial Explosives—20,000 tonnes—(NU)

M/s D.C.M. Chemical Works, Bara Hindu Rao, Delhi (Delhi)—Stable Bleaching Powder—17,000 tonnes.—33,000 tonnes (after expansion)—(SE)

M/s Amar Dye-Chem Ltd, Rang Udyan, Sitladevi Temple Road, Mahim, Bombay-400016 (Bulsar-Gujarat)—I. Rubber Accelerators & others (Indigenous know-how) : 1.2-Marceapto Benzothiazole (MBT) 2. 2-Benzothiazolyl Disulphide (MBTS) 3. Tetramethyl Thiuram Disulphide (TMID) 4. Zinc Dimethlyl Dithiocarbamate 5. N-Cyclohexyl-2-Benzothiazole Sulphenamide 6. Morpholinyl MBT 7. Retarder Nitrosodiphenylamine—Total capacity 1,700 tonnes. II. Antioxidants (Indigenous know-how) : 8. Trimethyl Ethoxy Quinoline 9. Styrenated Phenol —Total capacity 700 tonnes. III. Antioxidants (Foreign know-how) : 10. Trisnonyl Phosphite 11. N-Isopropyl-N-Phenyl-Para Phenylene Diamine (IPPD) 12. Diphenylamine Acetone Condensates (BLE)—Total capacity 1,450 tonnes—(NA)

M/s Bokaro Steel Ltd, Jeevan Vihar, Parliament Street, New Delhi-1 (Dhanbad-Bihar)—Sulphuric Acid—84,000 tonnes (for captive use)—(NA)

Mr T.R. Satyanarayana, House of Engineers, 35, III Main, V. V. Mohalla, Mysore-570002 (Mysore-Karnataka)—1. Oxygen 1.00 MCM 2. Dissolved Acetylene Gas—0.20 MCM—(NU)

M/s Bhaskar Tea Co (P) Ltd, 2, Biplabi Trailokya Maharaj Sarani, Calcutta-700001 (Backward Area-Maharashtra)—Synthetic Resins (Polyester, Polyurethane and Acrylic based)—1,000 tonnes—(NU)

M/s Kalali Chemicals Pvt Ltd, Kalali Road, Atladra, Vadodara (Gujarat) (Baroda-Gujarat)—Sodium Hydro Sulphite—600 tonnes (Addl)—1200 tonnes (after expansion) Sulphur Dioxide—630 tonnes (Addl) —1260 tonnes (after expansion) —(SE)

M/s BASF India Ltd, Tiecicon House, Dr E. Moses Rd, Bombay-400011 (Dhanbad-Bihar)—Leather Tanning and Finishing Agents as follows : I. Tanning Agents : (a) Veg Tanning Blends—1,000 tonnes. (b) Mineral Tanning Agents—1,000

tonnes. (c) (i) Replacement Tanning Agents—750 tonnes. (ii) Aux. Tanning Agents—250 tonnes. Total : 3,000 tonnes. II. Finishing Agents : (a) Fatliquors : (i) Synthetic (ii) Veg Oil Based (iii) Animal Oil Based—700 tonnes each. (b) Binders Acrylic Type—600 tonnes. (c) Organic & Inorganic pigment finishes—100 tonnes. (d) Water and Shower proofing agents—100 tonnes. (e) Lacquer & Lacquer Emulsions—200 tonnes. (f) Shoe and Leather Goods finishes—100 tonnes. (g) Specialised Metal Complex Leather dyes—200 tonnes. Total : 2,000 tonnes —(NA)

M/s Kanoria Chemicals and Industries Ltd, 16-A, Brabourne Road, Calcutta-1 (Mirzapur-UP)—Potassium Hydroxide (Caustic Potash)—5,000 tonnes within the overall licensed/approved capacity for the manufacture of Caustic soda—(NA)

M/s Gujarat Industrial Investment Corpn Ltd, 4th Floor, Natraj Chambers, Ashram Road, Ahmedabad-380009 (Gujarat) —Polyols—12,000 tonnes—(NU)

M/s Durgapur Chemicals Ltd, 6, Little Russel Street Calcutta-700016. (Burdwan-West Bengal)—Coal Tar based basic chemicals—1,50,000 tonnes of Coal Tar (at the Coal Tar Distillition Unit)—(NA)

M/s Jayshree Chemicals Ltd, 14, Netaji Subhas Road, Calcutta-700001. (Ganjam-Orissa) — Caustic Potash — 5,000 tonnes within the overall licenced capacity of Caustic Soda.—(NA)

Dyestuffs

M/s Idachem Industries Private Ltd, National Insurance Bldg, 204, Dr D.N. Road, Fort, Bombay-1 (Kolaba-Maharashtra) —Indigo Pure Blue—600 tonnes (Addl)—750 tonnes (after expn)—(SE)

M/s Rathi Dye-Chem Pvt Ltd, 27, Shankarshet Road, Poona-411009 (Colaba-Maharashtra)—Disperse Dyes—85 tonnes (Addl) —150 tonnes (after expn)—(SE)

Mr S.V. Mehta, 6/2, Queen's Park, Calcutta-19. (Backward Dist-Maharashtra)—1. Alpha Naphthylamize—300 tonnes. 2. Naphthalenic Acid—200 tonnes—(NU)

Drugs and Pharmaceuticals

M/s Suhrid Geigy Ltd, P.B. No. 48, Wadi Wadi, Baroda-390007 (Baroda-Gujarat)—Parazolandin Tablets—240 lakh tablets—(NA)

M/s. Nirfabrics Ltd., 254-B, Dr. Annie Besant Rd., Worli, Bombay-400025. (Bombay-Maharashtra)—Synthetic yarn knitted fabrics=2 circular knitting machines—(SE)

M/s. Vijaynagar Textiles Ltd., Kothari Buildings, Nungambakkam High Road, P.B. No. 3389, Madras-600034. (Raichur-Karnataka)—Processing of Textile Fabrics=23 million metre of fabrics—(NU)

M/s. Himachal Wool Processors Ltd., Cart Road, Simla-171001. (Solan-Himachal Pradesh)—Woollen Yarn =2,800 woollen spindles—(NU)

M/s. National Textile Corporation (M.P.) Ltd., Unit. Hira Mills, 1/10, Hira Mill Marg (Agra Road), (Ujjain-MP)—Cotton Cloth, in grey, dyed, bleached and printed =600 spindles (Addl.) =35,300 spindles (After expn.)—(SE)

M/s. U.P. State Industrial Development Corpn. Ltd., 117/130, Sarvodaya Nagar, Post Box No. 419, Kanpur-208005. (Backward Dist.-UP)—Woollen Carpet Yarn =1200 woollen spindles —(NU)

Paper and Paper Products

M/s. U.P. State Textile Corporation, B-7, Sarvodaya Nagar, Kanpur. (Backward Dist.-U.P.)—Rayon Grade Pulp =36,500 tonnes.—(NU)

M/s. The Ganges Mfg. Co. Ltd., Nehru House, 4, Bahadur Shah Zafar Marg, New Delhi-110001. (Backward Area-MP)—1. Rayon Grade Wood Pulp =25,000 tonnes. 2. Viscose Staple Fibre =8,000 tonnes—(NA)

Food Processing Industries

M/s. Mehsana District Coop. Milk Producers Union Ltd Mehsana (Gujarat). (Mehsana-Gujarat)—Infant Milk Food =4,500 tonnes (Additional) =9,000 tonnes within the total existing capacity of 11,700 tonnes of Milk Powder and Infant Milk Food. (after expansion)—(SE)

M/s. Konakan Fisheries Pvt. Ltd., Chowgule House, Mormugao Harbour, Goa-403803. (Vishakhapatnam-AP)—Marine Products =530 M. Tonnes—(NU)

The Superintendent, Govt. Milk Scheme, Miraj (Maharashtra) (Sangli-Maharashtra)—Skim Milk Powder and Whole Milk Powder =2,500 tonnes—(NA)

M/s. Kesar Sugar Works Ltd., 7, Jamshedji Tata Road Churchgate, Bombay-400020. (Nainital-UP)—1. Soyabean Oil =3,000 M. Tonnes. 2. Soya Defatted Cake (edible quality) and flour=11,000 M. Tonnes—(NA)

M/s. Modipon Ltd., Modinagar (U.P.) (Madhya Pradesh)—1. Edible Soya flour=45,000 tonnes. 2. Soya Textured Protein=30,000 tonnes. s. Soya Protein Isolates and Concentrates=3,000 tonnes. 4. Soyabean Oil (by-product)=16,450 tonnes—(NU)

Vegetable Oils and Vanaspati

M/s. Prabhat Solvent Extraction Industries Pvt. Ltd., 2nd Floor Sadhana Bldg., Jawahar Chowk, Jubilee Road, Rajkot-360001 (Rajkot-Gujarat)—Cotton Seed Oil =30,000 tonnes in terms of Cotton Seed—(NU)

M/s. The Sardar Vallabhbhai Patel Kapasia Udyog Sahakari Mandal Ltd., Opp. G.E.B. Sub Station, Idar (Sabarkantha) (Sabarkantha-Gujarat)—1. Cottonseed Oil =20,000 tonnes in terms of Cottonseed. 2. Solvent extraction of cottonseed cakes =15,000 tonnes in terms of Cottonseed expeller cakes. 3. Refining of Cottonseed oil =5,500 tonnes in terms of raw Cottonseed oil—(NU)

Leather and Leather Goods

M/s. Tamil Nadu Industrial Development Corporation, L.L.A. Bldg., 150-A, Anna Salai, Madras-600002. (North Arcot-Tamilnadu)—Leather Shoes =6,00,000 Pairs—(N.U.)

M/s. Malack Leathers, Ranipet, Walaja Taluk, Pinji Village, North Arcot Dist. (TN) (North Arcot-Tamilnadu)—Finished Leather from Goat Skins =3,00,000 pieces—(NU)

M/s. Tata Exporters Ltd., Block-A, Shivsagar Estates, Dr. Annie Besant Road, Worli, Bombay-400018. (Dewas-Madhya Pradesh)—Shoe Uppers =720,000 pairs—(NA)

M/s. K.H. Leather Industries (P) Ltd., 38, Hunter's Road, Vepery, Madras-600007. (North Arcot-Tamilnadu)—Leather Footwear =4 lakh pairs. Leather Uppers =10 lakh pairs. Leather Wallets=12 lakh pcs—(NU)

Glue and Gelatin

M/s. India Gelatine & Chemicals Ltd., 21, Mittal Chambers, 228 BBR Scheme, Nariman Point, Bombay-400021, (Bulsar-Gujarat)—1. Photographic Grade Casein—1200 tonnes (existing) =2400 tonnes (after expn.) 2. Dicalcium Phosphate—2160 tonnes (existing —4320 tonnes (after expn.)—(SE)

Glass

M/s. Bharat Ophthalmic Glass Ltd., Lenin Sarani, Durgapur (W.B.) (Burdwan-West Bengal)—Fibre Glass —4,000 tonnes, (NA)

Ceramics

M/s. Carborundum Universal Ltd., 11-12, North Beach Rd., Madras-600001. (Ernakulam & Palghat-Kerala)—Synthetic Fused Refractory Grains (based on alumina) —3500 tonnes—(NU)

Cement and Gypsum Products

M/s. Saurabh Construction Co., Kalani House, 11, Tukogangi Main Road, Indore (MP) (Ratlam-MP)—Asbestos Cement Sheets =30,000 tonnes—(NU)

M/s. Panyam Cements & Minerals Industries Ltd., Bugganipalli Cementnagar, Kurnool Distt. (AP) (Kurnool-AP)—Portland Cement —.45 (Point four five) lakh tonnes (additional) =5.31 lakh tonnes (after expn.)—(SE)

M/s. Talancil India Pvt. Ltd., 173, Jorbagh, New Delhi-110003. (Ghaziabad-UP)—Beater addition Jointing Sheets —500 tonnes. (NU)

Change in the Names (Owners or Undertakings)

(Information pertains to particular Licences only)

M/s. Kirloskar Asea Ltd.— to—M/s. Kirloskar Systems Limited.

M/s. A. Boake Roberts and Co. (India) Pvt. Ltd., Madras.— to —M/s. Bush Boake Allen (India) Ltd., Madras.

M/s. Turner Hoare & Co. Ltd.— to—M/s. Mahindra Spicer Ltd.

M/s. Asian Electronics Ltd., Bombay.— to —M/s. Asian Electronics Exports Ltd., Bombay.

M/s. Indian Oxygen Pvt. Ltd.—to—M/s. Indian Oxygen Ltd.

M/s. Punjab State Indl. Dev. Corpn. Ltd.—to—M/s. Punjab Electronic Components Ltd.

Licences Revoked, Cancelled or Lapsed

(Information pertains to particular Licences only)

M/s. Khemka Spares & Accessories (P) Ltd., Madras.—Gears for machine tools and Crown Wheels and Pinions—(Cancelled)

Mr O.N. Chopra (M/s. Mathur Steel Industries [P] Ltd.), New Delhi.—High Tensile Bolts and Nuts—(Revoked)

M/s. Chitpore Colabari Co. Ltd., Calcutta.—Calcium Carbonate. (Lapsed)

M/s. Traco Carbide Ltd, Calcutta—Calcium Carbide—(Lapsed)

M/s. Indian Telephone Industries Ltd., Bangalore.—Condensers for Fluorescent lighting equipment and Ferrite Cores—(Surrendered)

M/s. Premier Irrigation Equipment Pvt. Ltd., New Delhi.—Tractors. (Cancelled)

M/s. Hindustan Aeronautics Ltd., Hyderabad.—TV Deflection Components—(Surrendered)

M/s. Vedi Steel & Alloys Ltd., New Delhi.—Steel Ingots. (Revoked)

M/s. Tata Fison Industries Ltd. C/o., M/s. Rallis India Ltd., Bombay.—Prenomiser Plus etc. (Revoked)

M/s. The Yeleru Cooperative Sugar Ltd., Dist. East Godavari (AP)—Sugar—(Revoked)

M/s. Lauls Private Ltd., Faridabad.—M.S. Ingots etc. (Revoked)

M/s. Mr Seeta Rama Anjaneya, Durga Steels (P) Ltd., Rajahmundry.—M.S. Ingots of various grades. (Revoked)

M/s. Singh Ispat Ltd., Calcutta.—M.S. Ingots etc. (Revoked)

M/s. Vijay Industrial Works, Calcutta.—Aluminium Alloy Ingots, Rods, Strips etc. (Surrendered)

M/s. Hindustan Steel Forgings, Rajpura—Steel Forgings. (Cancelled)

M/s. Gupta Steel Tubes (India), New Delhi—Steel Pipes and Tubes. (Cancelled)

M/s. Steelcrete Pvt. Ltd., Bombay—Steel Ingots of various grades. (Revoked).

Letters of Intent Lapsed or Cancelled

(Information pertains to particular Letters of Intent only)

M/s. Bharat Strips Ltd., New Delhi. (Delhi)—C.R. Strips.—(Cancelled)

M/s. Bombay Automotive & Allied Industries (P) Ltd., Bombay. (Maharashtra)—Bimetal Bearings and Bushes and Bimetal Strips—(Lapsed)

Mr A.R. Ghorpade, Belgaum. (Karnataka)—Nitrogen Oxide Gas—(Lapsed)

Mr Pratapsinh Navlakha, New Delhi. (Madhya Pradesh)—Metal Jacket Project—(Lapsed)

The Secy. & Adm. Officer, Karnataka State Indl. Investment & Dev. Corpn. Ltd., Bangalore. (Karnataka)—Safety Razor Blades—(Lapsed)

M/s. The Indl. Dev. Corpn. of Orissa Ltd., Bhubneshwar. (Orissa)—Soda Ash/Ammonium Chloride—(Lapsed)

M/s. Hindustan Machine Tools Ltd., Ajmer. (Rajasthan)—Horizontal Surface Grinding Machines—(Lapsed)

M/s. East India Rubber Works Pvt. Ltd., Calcutta. (West Bengal)—Transmission Belting and Conveyor Belting—(Lapsed)

M/s. Maharashtra Coop. Engg. Society Ltd., Kolhapur. (Maharashtra)—Yanmar Power Tillers—(Lapsed)

M/s. Bengal Chemical & Pharmaceutical Works Ltd., Calcutta. (West Bengal)—Sulphuric Acid—(Cancelled)

Mr Basudeo Kanoria, Calcutta. (Rajasthan)—Caustic Soda —(Lapsed)

M/s. Mukandsons Alloys Ltd., Ghaziabad. (UP)—Oxygen Gas—(Lapsed)

M/s. Ballarpur Industries Ltd., New Delhi. (Maharashtra)—Caustic Soda—(Lapsed)

Mr Ahobala Rao, Madras. (Tamil Nadu)—BHC and Lindane—(Lapsed)

M/s. Jayalakshmi Chemical Industries, Tunuku. (Tamil Nadu) —B.H.C. Technical—(Lapsed)

M/s. Premji Haridas & Co., Bombay. (Orissa)—Sulphuric Acid—(Lapsed)

Deepak Nitrite Ltd., Bombay. (Gujarat)—Anhydrous Liquid Ammonia & Methanol—(Cancelled)

Mr Ulhas Sharma, New Delhi. (Maharashtra)—Sulphuric Acid etc—(Lapsed)

Mr Krishna Kishore Kar, Calcutta. (West Bengal)—Caustic Soda—(Lapsed)

M/s. York Fasteners, Nagpur. (Maharashtra)—High Tensile Machine Screws—(Lapsed)

Mr S.J. Vyas, C/o. Sukhdev V. Vyas, Ahmedabad. (Gujarat)—Nickel Silver Strips—(Cancelled)

Wholesale Prices

(Week-ended August 20, 1977)

THE OFFICIAL wholesale price index of '*All Commodities*' stood at 188.4 (provisional) during the week-ended August 20, 1977 as against 188.1 (provisional) for the previous week. At this level, the index was higher by 0.2 per cent when compared to that of the earlier week.

Among primary articles, the index for '*Food Articles*' recorded a rise of 0.2 per cent to 177.2 as against 176.8 for the previous week owing to an increase in prices of gram and masoor (+3 per cent each), fruits & vegetables (+2 per cent), jowar, maize, urad and spices and condiments (+one per cent each). However, prices of fish (—6 per cent), eggs (—4 per cent), moong (—3 per cent), meat (—2 per cent), bajra, barley, tea and milk (—one per cent each) declined.

The index for '*Non-food Articles*' came down by 1.1 per cent to 182.8 as against 184.8 for the last week due to a fall in prices of raw jute (—5 per cent), cottonseed (—4 per cent), groundnuts (—3 per cent), raw cotton (—2 per cent), copra and mahua seed (—one per cent each). However, prices of linseed and niger seed (+4 per cent each), soyabean (+2 per cent), rape & mustard seed, castor seed, raw hides and raw tobacco (+one per cent each) moved up.

Among manufactured products, the index for '*Food Products*' went up by 1.5 per cent to 196.9 as against 193.9 for the last week due to an increase in prices of oilcakes (+4 per cent), kardi oil and solvent extracted groundnut oil (+3 per cent each), gur and salt (+2 per cent each), sugar, khandsari vanaspati, groundnut oil and mustard oil (+1 per cent each). The prices of rice bran oil (—6 per cent), however, declined.

The index for '*Textiles*' group stood at 171.4 as against 171.5 for the previous week.

The index for the '*Chemicals and Chemical Products*' group stood at 172.9 as against 172.8 for the previous week.

Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-Groups—Revised Series

(Base: 1970-71=100)

Major Groups, Groups & Sub-Groups	Weights in relation to all commodities	Week Ended				
		20.8.77	13.8.77	23.7.77	25.6.77	21.8.76
		(Provisional)			(Final)	
1	2	3	4	5	6	7
All Commodities	(1000.00)	**188.4**	**188.1**	**188.4**	**188.8**	**178.4**
Primary Articles	416.67	**187.5**	**187.7**	**187.8**	**187.7**	**167.5**
Food Articles	297.99	**177.2**	**176.8**	**175.6**	**176.0**	**156.9**
Foodgrains	129.22	170.7	170.2	171.7	167.8	152.4
Cereals	107.43	164.6	164.5	166.4	163.2	156.0
Pulses	21.79	201.0	198.3	197.8	190.5	134.3
Fruits & Vegetables	61.32	194.4	190.0	187.8	187.5	160.3
Milk & Milk Products	61.50	158.3	159.3	156.4	158.4	156.5
Eggs, Fish & Meat	18.97	195.6	203.7	194.0	187.6	169.9
Condiments & Spices	10.94	181.8	180.6	176.1	175.3	153.2
Other Food Articles	16.04	210.9	212.6	212.5	253.6	135.4
Non-Food Articles	106.21	**182.8**	**184.8**	**188.2**	**186.8**	**164.8**
Fibres	31.73	185.8	190.1	196.0	196.4	183.4
Oilseeds	41.01	197.2	199.6	201.4	196.8	147.3
Other non-food Articles	32.47	161.1	160.6	163.5	164.5	169.3
Minerals	12.47	**473.1**	**473.1**	**472.8**	**473.1**	**442.8**

(*Contd.*)

1	2	3	4	5	6	7
Metallic Minerals	2.29	192.2	192.2	192.2	192.2	172.8
Other Minerals	4.16	186.0	186.0	185.2	186.0	180.3
Petroleum Crude & Natural Gas	6.02	778.9	778.9	778.9	770.9	727.4
Fuel, Power, Light & Lubricants	84.59	**232.4**	**232.4**	**232.4**	**232.4**	**232.4**
Coal Mining	11.47	197.3	197.3	197.3	197.3	197.7
Mineral Oils	49.12	267.6	267.6	267.6	267.6	267.6
Electricity	24.00	177.2	177.2	177.2	177.2	169.9
Manufactured Products	498.74	**181.8**	**181.0**	**181.5**	**182.4**	**178.8**
Food Products	133.22	**196.9**	**193.9**	**195.5**	**197.1**	**203.5**
Dairy Products	3.88	191.6	191.6	189.5	189.5	181.4
Canned & Preserved Fruits & Vegetables	0.39	156.2	156.2	156.2	156.2	155.5
Canned & Preserved Fish & Sea Food	0.36	205.0	205.0	205.0	205.0	191.0
Grain Mill Products	4.64	166.8	166.8	167.7	163.2	160.1
Bakery Products	1.85	158.8	158.8	158.8	158.8	160.5
Sugar, Khandsari & Gur	72.41	202.5	198.9	197.1	203.0	249.2
Sugar, Confectionary Cocoa & Chocolate	0.53	155.8	155.8	155.8	155.8	160.2
Miscellaneous Food Products	49.16	194.0	191.3	198.2	194.3	144.6
Edible Oils	37.16	188.0	186.4	191.3	185.0	135.2
Oilcakes	9.05	224.3	216.3	234.1	248.1	180.5
Other Miscellaneous Food Products	2.95	176.3	176.0	176.2	170.2	152.8
Beverages, Tobacco & Tobacco Products	27.00	**170.7**	**170.7**	**170.7**	**170.7**	**170.0**
Wine Industries	6.77	136.3	136.3	136.3	136.3	132.2
Soft Drinks	0.82	224.9	224.9	224.9	224.9	224.9
Tobacco Manufactured	19.48	180.4	180.4	180.4	180.4	180.8
Textiles	110.26	**171.4**	**171.5**	**171.4**	**169.8**	**152.9**
Cotton Textiles	81.02	176.3	176.5	177.5	176.7	155.3
Woollen Yarn & Textiles	2.44	210.2	210.2	206.4	209.9	206.1
Silk, Art Silk & Synthetic Fibre Textiles	12.83	167.9	168.0	164.7	159.5	157.1
Jute, Hemp & Mesta Textiles	12.14	130.9	131.2	127.7	122.6	120.6
Textiles Products n.e.c.	1.83	194.5	194.5	194.5	195.9	187.4
Paper & Paper Products	8.51	**182.1**	**182.1**	**182.1**	**182.1**	**178.8**
Leather & Leather Products	3.25	**224.3**	**224.3**	**226.2**	**225.6**	**225.3**
Tanned & Cured Finished Leather	2.95	234.7	234.7	236.5	235.8	232.1
Footwear & Other Leather Products	0.90	192.2	192.2	192.2	192.2	203.1
Rubber & Rubber Products	12.07	**156.7**	**156.7**	**156.7**	**156.7**	**157.2**
Tyres & Tubes	9.84	153.4	153.4	153.4	153.4	155.2
Other Rubber Products	2.23	171.3	171.3	171.3	171.3	166.3
Chemical & Chemical Products	55.48	**172.9**	**172.2**	**172.7**	**172.6**	**171.3**
Basic Industrial Chemicals	7.26	191.2	191.4	191.5	191.2	182.8
Fertilisers	12.52	178.5	178.5	178.5	178.5	187.8
Insecticides	1.16	233.2	233.2	233.2	232.7	232.0
Paints & Varnishes	1.92	204.1	203.7	203.6	207.7	204.8
Drugs & Medicines	9.83	136.0	136.0	135.5	135.8	134.7
Cosmetics, Soap & Detergents	5.86	171.5	171.5	171.4	170.2	167.0
Inedible Oils	1.54	203.9	198.7	198.7	198.7	137.8
Synthetic Resins/Rosins & Plastic Materials	8.30	161.1	161.1	161.6	161.1	163.6
Dyestuffs & Other Chemicals, n.e.c.	7.09	185.3	185.3	185.3	185.3	175.5

(Contd.)

1	2	3	4	5	6	7
Non-Metallic Mineral Products	14.15	**192.8**	**192.8**	**192.8**	**192.8**	**193.9**
Structural Clay Products	1.82	206.8	206.8	206.2	208.4	212.5
Glass & Glass Products	1.98	208.0	208.0	208.0	208.3	216.7
Earthen Ware & Earthen Pottery	0.96	253.3	253.3	253.3	253.3	253.3
Cement, Lime & Plaster	7.07	174.2	174.2	174.2	174.3	174.2
Miscellaneous Non-metallic Mineral Products	2.32	200.6	200.6	200.6	200.6	195.3
Basic Metals, Alloys & Metal Products	59.74	**193.4**	**193.4**	**193.4**	**194.1**	**190.7**
Basic Metals & Alloys	46.51	193.4	193.4	193.5	194.0	193.2
Iron & Steel & Ferrous Alloys	34.73	187.5	187.5	187.5	187.5	187.0
Non-Ferrous Metals & their Alloys	11.78	210.6	210.6	211.1	213.4	211.5
Metal Products	13.23	193.5	193.5	193.3	194.2	182.0
Machinery & Transport Equipments	67.18	**171.1**	**171.1**	**171.1**	**171.4**	**170.9**
Machinery & Machine Tools	50.45	171.5	171.5	171.5	172.0	171.8
Non-Electrical Machinery	30.91	175.6	175.6	175.7	175.6	177.4
Electrical Machinery	19.54	164.9	164.9	164.9	166.2	163.0
Transport Equipment	16.73	169.9	169.8	169.8	169.6	168.2
Motor Vehicles & Parts	13.73	175.2	175.2	175.2	175.0	173.6
Motor Cycles, Scooters, Bicycles & Parts	3.00	145.4	145.1	144.9	144.8	143.8
Miscellaneous Products	7.20	**175.0**	**175.0**	**175.0**	**178.3**	**164.8**
Wood & Wood Products	1.74	178.6	178.6	178.6	178.6	160.2
Other Manufacturing Industries n.e.c.	5.46	173.8	173.8	173.8	178.2	166.2

Source: Office of the Economic Adviser (Deptt. of Industrial Development), New Delhi.

THE INDIAN SMELTING & REFINING COMPANY LTD.

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1ST POKHARAN ROAD, PANCHPAKHADI
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Leading Manufacturers of

Malleable Iron Castings for Automotive and Electrical Transmission and S.G. Iron Axle Box Bearings, Crankshafts etc. upto 1 Ton.

Monthly review of wholesale prices for July 1977

THE GENERAL index of wholesale prices (1970-71=100) registered a rise of 0.5 per cent to 188.7 (provisional) during the month of July, 1977 when compared to 187.8 (provisional) for June, 1977. The all commodities index at this level was higher by 6.2 per cent when compared with the corresponding month of last year. During the month under review, 'primary articles' and 'manufactured products' advanced by 0.9 per cent to 188.4 and 0.3 per cent to 181.6. However, the index for the third major group 'fuel, power, light & lubricants' remained unchanged at its earlier month's level of 232.4.

Group-wise analysis of price movement of various groups and sub-groups is shown below:

Food Articles

The sub-group index for 'cereals' went up by 2.8 per cent to 165.5 due to an increase in prices of all items under this head except bajra and barley which moved down. 'Pulses' rose by 4.6 per cent to 196.8 on account of a rise in the prices of gram, arhar, masur and urad. The prices of moong, however, declined. As a result the index for 'foodgrains' advanced by 3.1 per cent to 170.8. The sub-group index for 'fruits & vegetables' recorded a rise of 2.3 per cent to 189.8 owing to an increase in the prices of sweet potatoes, onions, oranges, cashewnuts and apples. However, the prices of potatoes, tapioca and bananas declined.

The sub-group index for 'milk & milk products' drifted lower by 0.3 per cent to 158.1 on account of a fall in prices of milk. The prices of ghee and butter, however, moved up. The sub-group index for 'eggs, fish & meat' registered a rise of 3.7 per cent to 192.7 owing to higher prices of eggs and fish. However, prices of meat moved down.

The sub group index for 'spices & condiments' went up by 1.1 per cent to 176.2 due to an incresse in prices of black pepper and turmeric. The prices of chillies and cardamoms, however, came down. The sub-group index for 'other food articles' registered a sharp fall of 9.0 per cent to 224.3 on account of lower prices of tea (—11 per cent). However, prices of coffee and betelnuts moved up. On the whole, the index for 'food articles' recorded a rise of 1.4 per cent to 176.6.

Non-food Articles

Lower prices of raw cotton and raw silk brought down the sub-group index for 'fibres' by 0.7 per cent to 195.9. The prices of raw jute and mesta, however, went up. 'Oilseeds' advanced by 2.2 per cent to 201.8 owning to a rise in prices of almost all the oilseeds under this head except cottonseed, niger seed and kardi seed. A fall of 3.1 per cent to 163.6 in other non-food articles caused by lower prices of raw hides, raw skins, lac and raw tobacco. The prices of tanning materials and logs & timber however, moved up. Consequently the overall index for 'non-food articles' declined slightly by 0.1 per cent to 188.4.

Minerals

The sub-group index for 'metallic minerals' advanced by 16.7 per cent to 189.3 owing to an increase in prices of iron ore. The sub-group, index for 'other minerals' moved up by 0.8 per cent to 183.2. The sub-group index for 'petroleum crude and natural gas' remained unchanged at its last month's level of 778.9. On the whole the index for 'minerals' went up by 0.6 per cent to 471.6.

Fuel, Power, Light & Lubricants

The sub-group index for 'coal mining' stood at 197.3 as against 197.2 for the last month. The sub-group indices for 'mineral oils' and 'electricity' stood stationary at their last month's level of 267.6 and 177.2 respectively. Consequently the overall index for this major group remained unchanged at its last month's level of 232.4.

Food Products

The sub-group indices for 'dairy products', 'canned & preserved fruits & vegetables' and canned & preserved fish and sea food remained unchanged at their last month's level of 189.5, 156.2 and 205.0 respectively. The sub-group index for 'grain mill products' advanced by 0.7 per cent to 166.7 due to an increase in prices of atta and maida. The sub-group index for 'bakery products' dropped by 0.5 per cent to 159.0 due to a fall in prices of biscuits. The sub-group index for 'sugar, khandsari & gur' declined by 1.0 per cent to 198.5 on account of lower prices of khandsari and gur. The prices of sugar, however, depicted a slight rise. The sub-group index for 'miscellanous food products' recorded a rise of 0.9 per cent to 197.4 due to an advance in prices of edible oils (+1.9 per cent) and other miscellanous products (+2.0 per cent). However prices of oilcakes declined by 2.6 per cent.

Beverages & Tobacco Products

The sub-group index for 'wine industries' registered a slight rise of 0.2 per cent to 136.3. The sub-group index for 'soft drinks' remained unchanged at its last month's level of 224.9. The sub-group index for 'tobacco manufactures' advanced by 2.2 per cent to 180.1 on account of higher prices of cigarettes.

Textiles

The index for this group witnessed a rise of 0.6 per cent to 171.1 due to an increase in prices of cotton textiles (+0.4 per cent), silk, art silk and synthetic fabrics textiles (+2.3 per cent), jute, hemp and mesta textiles (+0.6 per cent). The prices of woollen yarn and textiles (—1.4 per cent) and 'textiles products n.e.c.' (—0.3 per cent), however, receded.

Paper Products

The index for this group stood stationary at its last month's level of 182.4.

Leather & Leather Products

The sub-group index for 'tanned and cured finished leather' advanced by 3.4 per cent to 238.7 on account of higher prices of hides, tanned and leather belting and sheep and goat skin. The sub-group

index for 'footwear and other leather products' remained unchanged at its last month's level of 192.2.

Rubber & Rubber Products

The sub-group indices for 'tyres & tubes' and other 'rubber products' stood stationary at their last month's level of 153.4 and 171.3 respectively. Consequently the index for this group remained unchanged at its last month's level of 156.7.

The sub-group index for 'basic industrial chemicals' stood at 191.4 as against 191.2 for the previous month. 'Fertilisers' sub-group index remained unchanged at its last month's level of 178.5. The sub-group index for 'insecticides' worked out at 233.0 as against 232.7 for the earlier month. Lower prices of enamels, paints, varnishes and titanium dioxide brought down the sub-group index for 'paints and varnishes' by 1.6 per cent to 204.6 as against 207.9 for the previous month.

Drugs & Medicines

The sub-group index for 'drugs and medicines' went up slightly by 0.1 per cent to 135.6 as against 135.4 for the previous month due to an increase in prices of bulk drugs. The sub-group index for 'cosmetics, soap and detergent' went up by 0.6 per cent to 170.9 owing to an advance in the prices of hair oil, essential oils and flavouring essences. The sub-group index for 'inedible oils' recorded a rise of 4.6 per cent to 200.6 due to an increase in prices of linseed oil although the price of castor oil witnessed a fall. A fall of 0.3 per cent to 162.1 as against 168.6 for the previous month in the sub-group index for 'synthetic resins, rosins and plastic materials' was caused by a decline in prices of synthetic fibres although the prices of PVC compounds and synthetic rubber moved up. The sub-group index for 'dyestuffs and other chemical n.e.c.' fell marginally by 0.9 per cent to 185.8 as against 185.4 for last month due to a fall in prices of dyeing materials although prices of explosives, fireworks, printing ink and optical whitening agents went up. On the whole, the index for the group rose by 0.1 per cent to 172.8.

Non-Metallic Mineral Products

The sub-group index for 'structural clay products' witnessed a rise of 0.5 per cent to 207.1 due to an increase in prices of refractory bricks, fire bricks and dead burnt magnesite. The price of bricks, however, came down. Increased prices of sheet glass pushed up the sub-group index for 'glass and glass products' by 4.8 per cent to 203.8 as against 194.5 for the previous month. The sub-group index for 'earthen ware and earthen pottery' stood stationary at its previous month's level of 253.3. The sub-group index for 'cement, lime and plaster' stood at 174.2 as against 174.3 for the last month. 'Miscellaneous non-metallic mineral produsts' sub-group went up slightly by 0.1 per cent to 200.6 due to an increase in prices of hume pipes. On the whole, the index for the group went up by 0.7 per cent to 192.3 when compared to 190, for June 1977.

Basic Metals & Alloys

The sub-group index for 'iron, steel and ferro-alloys' remained unchanged at its previous month's level of 187.5. The sub-group index for 'non-ferrous metals and their alloys' declined by 0.9 per cent to 211.3 owing to a fall in prices of copper and copper alloys. The sub-group index for 'metal-products' rose by 1.1 per cent to 193.5 as against 191.4 for the previous month due to an increase in prices of barrels and drums, tin box and containers, hurricane lanterns, oil pressure lamps, wire nails, locks and razor blades. However, prices of bolts and nuts and wire ropes declined. On the whole, the index for this group stood at 193.5 for the previous month.

The sub-group index for 'machinery & machine tools' went up by 0.2 per cent 171.7 mainly due to an increase in prices of non-electrical machinery (+0.3 per cent). The sub-group index for 'transport equipment' advanced by 0.5 per cent to 169.7 as against 168.8 for the last month due to an increase in prices of motor vehicles and parts (+0.4 per cent) and motor cycles, scooters and parts (+0.8 per cent.) Consequently the index for the group as a whole went up by 0.3 per cent to 171.2 as against 170.7 for the last month.

Miscelianeous Products

The sub-group index for 'wood & wood products' recorded a fractional rise of 0.1 per cent to 178.6 owing to an advance in prices of wood screws. An increase of 0.9 per cent to 173.8 in the sub-group index for 'other mfg. industries' was caused by higher prices of watches & clocks, tooth brushes, combs and films. On the whole, the index for this group moved up by 0.7 per cent to 175.0 as against 173.7 for the previous month.

Eastern Economist 30 Years Ago

SEPT. 19, 1947

The Governor of Bombay has promulgated an Ordinnance called the Bombay Essential Supplies (Temporary Powers) and the Essential Commodities and Cattle (Control) (Enhancement of Penalties) Ordinance, 1947, under which whoever contravenes this order shall be punished with imprisonment for a term which may extend to seven years but shall not, except for reasons to be recorded in writing, be less than six months and shall also be liable to fine. At present the punishment extends to only three years' imprisonment or fine or both. The ordinance, it is hoped by Government, will act as a deterrent. Simultaneously with this measure, a conference of representatives of the people convened by the Mayor formed themselves into a committee known as "The People's Anti-Corruption League" with the Mayor as Chairman. The Committee is constituted of prominent businessmen, Presidents of Chambers of Commerce and representatives of other public interests, political, social and commercial, and is restricted to 21 members. The League will function as an Executive Committee and, though a non-official one, it would have the full support and cooperation of Government. Public Cooperation is an indispensable factor in the successful execution of this plan. So under the scheme volunteer corps would be formed to detect black marketeers and these volunteers would cooperate with Government and the Police to stamp out the evil. All merchants would also take a pledge not to deal in black market.

Revised Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-Groups

(Base: 19707-1=100)

Major Groups, Groups & Sub-Groups	July, 1977	June, 1977	May, 1977	July 1976	Percentage Variation July 1977 over	
	Provisional		(Final)		June, 1977	July, 1976
1.	2	3	4	5	6	7
All Commodities	**188 7**	**187.8**	**187.4**	**177.6**	**+ 0.5**	**+ 6.2**
Primary Articles	**188.4**	**186.7**	**186.8**	**167.1**	**+ 0.9**	**+ 12.7**
Food Artices	**177.6**	**174.2**	**174.3**	**157.2**	**+ 1.4**	**+ 12.3**
Food Grains	170.8	165.6	163.4	152.6	+ 3.1	+ 12 0
Cereals	165.5	161.0	158.6	155.7	+ 2.8	+ 6.3
Pulses	196.8	188.1	187.0	136.7	+ 4.6	+ 44.0
Fruits & Vegetables	189.8	185.5	190.5	171.0	+ 2.3	+ 10.4
Milk & Milk Products	158.1	158.6	158.5	153 0	— 0.3	+ 3.3
Eggs, Fish & Meat	192.7	185.8	190.0	173.9	+ 3.7	+ 10.8
Condiments & Spices	176.2	174.2	174.4	155.0	+ 1.1	+ 13.7
Other Food Articles	224.3	246.6	242.6	179.2	— 9.0	+ 25.2
Non-Food Articles	**188.4**	**188.6**	**188.8**	**162.3**	**— 0.1**	**+ 16.1**
Fibres	195 9	197.3	199.4	186.9	— 0.7	+ 4.8
Oilseeds	201.8	197.4	194.4	141.1	+ 2.2	+ 43.0
Other Non-Food Articles	163.6	168.9	171.0	165.8	— 3.1	— 1.3
Minerals	**471.6**	**469.0**	**470.6**	**442.9**	**+ 0.6**	**+ 6.5**
Metallic Minerals	189.3	177.4	185.0	172.8	+ 6.7	+ 9.5
Other Minerals	183.2	181.8	182.6	180.8	+ 0.8	+ 1.3
Petroleum Crude and Natural Gas	778.9	778.9	778.9	727.4	—	+ 7.1
Fuel Power, Light & Lubricants	**232.4**	**232.4**	**232.4**	**230.4**	—	**+ 0.9**
Coal Mining	197.3	197.2	197.2	197.7	—	+ 0.2
Mineral Oils	267.6	267.6	267.6	267.6	—	—
Electricity	177.2	177.2	177.2	169.8	—	+ 4.4
Manufactured Products	**181.6**	**181.0**	**180.3**	**177.4**	**+ 0.3**	**+ 2.4**
Food Products	**195.9**	**196.2**	**194.6**	**199.5**	**— 0.2**	**— 1.8**
Dairy Products	189.5	189.5	189.4	181.4	—	+ 4.5
Canned & Preserved Fruits & Vegetables	156.2	156.2	156.2	155.5	—	+ 0.4
Canned and Preserved Fish & Sea Food	205.0	205.0	205.0	191.0	—	+ 7.3
Grain Mill Products	166.7	165.5	161.5	162.9	+ 0.7	+ 2.3
Bakery Products	159.0	159.8	159.8	163.1	— 0.5	— 2.5
Sugar, Khandsari & Gur	198.5	200.4	197.4	244.7	— 1.0	— 18.9
Sugar Confectionary, Cocoa & Chocolate	155.8	159.1	160.2	160.2	— 2.1	— 2.8
Miscellaneous Food Products	197.4	195.6	195.8	140.1	+ 0.9	+ 40.9
Edible Oils	189.5	186.0	185.3	128.8	+ 1.9	+ 47.1
Oilcakes	237.2	243.4	246.4	182.3	— 2.6	+ 30.1
Other Miscellaneous Food Products	174.3	170.9	170.9	152.8	+ 2.0	+ 14.1
Beverages, Tobacco & Tobacco Products	**170.5**	**167.7**	**167.8**	**170.0**	**+ 1.7**	**+ 0.3**
Wine Industries	136.3	136.0	136.3	132.2	+ 0.2	+ 3.1
Soft Drinks	224.9	224.9	224.9	224.9	—	—
Tobacco Manufactures	180.1	176.3	176.4	180.8	+ 2.2	+ 5.7

(Contd.)

1	2	3	4	5	6	7
Textiles	**171.1**	**170.1**	**169.4**	**151.6**	**+ 0.6**	**+ 12.9**
Cotton Textiles	177.4	176.6	175.4	152.7	+ 0.4	+ 16.2
Woollen yarn & textiles	206.4	209.3	211.4	206.1	— 1.4	+ 0.1
Silk, artsilk & synthetic fabric textiles	163.6	159.9	160.2	158.5	+ 2.3	+ 3.2
Jute, hemp & mesta textiles	126.7	125.9	126.6	120.9	+ 0.6	+ 4.8
Textiles products n e.e.	195.3	195.2	195.0	188.7	— 0.3	+ 3.5
Paper & Paper Products	**182.4**	**182.4**	**182 5**	**178.8**	**—**	**+ 2.0**
Leather & Leather Products	**227.9**	**221.8**	**225.6**	**226.8**	**+ 2.8**	**+ 0.5**
Tanned and cured finished leather	238.7	230.8	235.8	234.1	+ 3.4	+ 2.0
Footwear & other leather products	192.2	192.2	172.2	203.1	—	— 5.4
Rubber & Rubber Products	**156.7**	**156.7**	**156.7**	**157.8**	**—**	**— 0.7**
Tyres & tubes	153.4	153.4	153.4	155.8	—	— 1.6
Other rubber products	171.3	171.3	171.3	166.3	—	+ 3.0
Chemicals & Chemical Products	**172.8**	**172.6**	**172.4**	**171.4**	**+ 0.1**	**+ 0.8**
Basic industrial chemicals	191.4	191.2	190.8	191.8	+ 0.1	— 0.2
Fertilisers	178.5	178.5	178.5	189.8	—	— 6.0
Insecticides	233.0	232.7	232 7	232.0	+ 0.1	+ 0.4
Paints & varnishes	204.6	207.9	208.0	203.3	— 1.6	+ 0.6
Drugs & medicines	135.6	135.4	135.4	134.5	+ 0.1	+ 0.8
Cosmetics, soap & detergent	170.9	169.9	170.4	167.0	+ 0.6	+ 2.3
Inedible oils	200.6	191.8	189.2	133.2	+ 4.6	+ 50.6
Synthetic resins/rosins & plastic materials	162.1	162.6	162.4	162.6	— 0.3	+ 0.3
Dyestuff & other chemical product	185.3	185.4	185.0	172.9	— 0.1	+ 7.2
Non-metallic Mineral Products	**192.3**	**190.9**	**191.6**	**193.9**	**+ 0.7**	**— 0.8**
Structural clay products	207.1	206.0	206.4	212.9	+ 0.5	— 2.7
Glass & glass products	203.8	194.5	198.8	217.8	+ 4.8	— 6.4
Earthen ware & earthen pottery	253.3	253.3	253.3	253.3	—	— —
Cement, lime & plaster	174.2	174.3	174.3	174.2	— 0.1	— —
Misc. non-metallic mineral products	200.6	200.4	199.9	194.0	+ 0.1	+ 3.4
Basic Metal, Alloys and Metal Products	**193.5**	**193.4**	**192.0**	**190.5**	**—**	**+ 1.6**
Basic metals & alloys	193.6	194.0	194.0	192.8	— 0.2	+ 0.4
Iron, steel & ferro alloys	187.5	187.5	187.5	187.0	—	+ 0.3
Non-ferrous metals & their alloys	211.3	213.2	213.4	210.0	— 0.9	+ 0.6
Metal products	193.5	191.5	184.1	182.0	+ 1.1	+ 6.3
Machinery & Transport Equipment	**171.2**	**170.7**	**170.6**	**170.9**	**+ 0.3**	**+ 0.2**
Machinery & machine tools	171.7	171.4	171.4	171.7	+ 0.2	—
Non-electrical machinery	175.6	175.0	175.1	177.2	+ 0.3	— 0.9
Electrical machinery	165.6	165.6	165.4	163.0	—	+ 1.6
Transport Equipment	169.7	168.8	168.6	168.5	+ 0.5	+ 0.7
Motor vehicles & parts	175.1	174.3	174.1	173.6	+ 0.4	+ 0.9
Motor cycles, scooters, bicycles & parts	144.8	143.7	143.4	145.1	+ 0.8	— 0.2
Miscellaneous Products	**175.0**	**173.7**	**174.0**	**165.1**	**+ 0.7**	**+ 6.0**
Wood & wood products	178.6	178.4	178.7	160.2	+ 0.1	+ 11.5
Other mfg. industries n.e.c.	173.8	172.2	172.6	166.7	+ 0.9	+ 4.2

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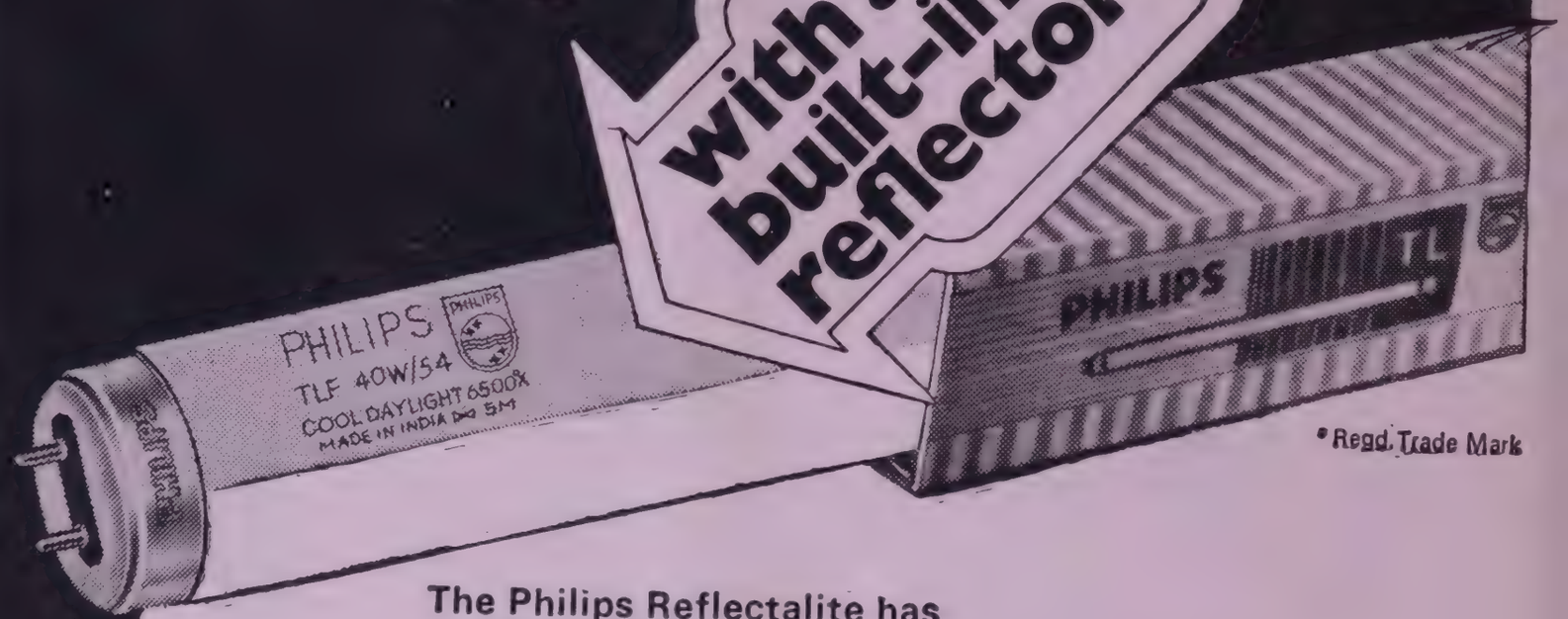
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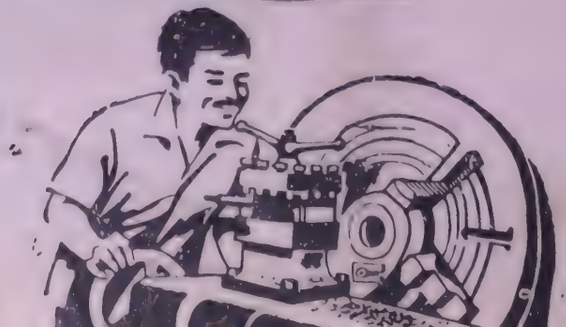
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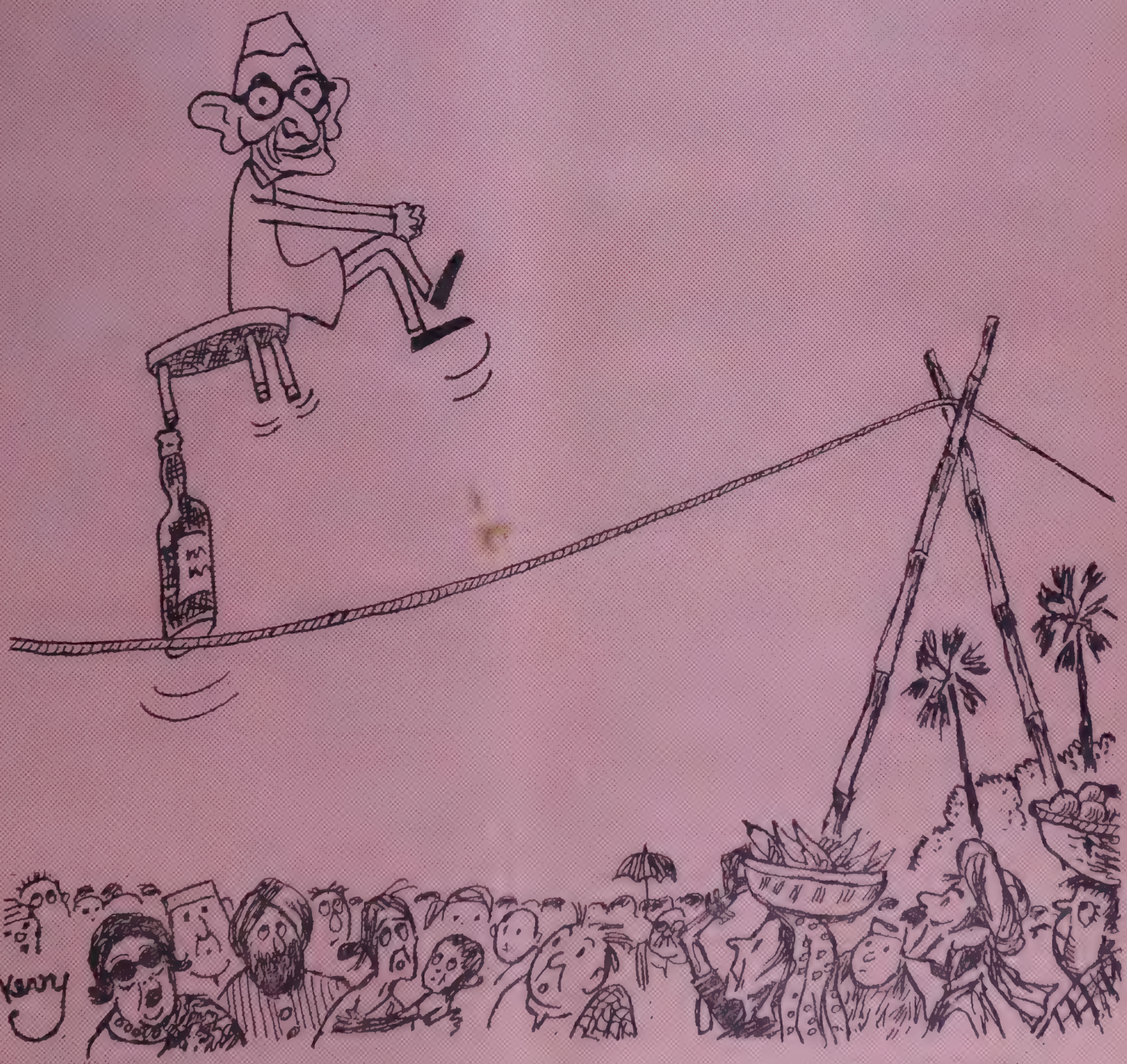
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Divide and rule

THE JANATA party was swept into office on the crest of a consensus. This consensus simply was that the emergency regime of Mrs Indira Gandhi had to be destroyed at all cost. It was therefore 'anti' something rather than 'for' anything. This consensus was honoured by the present central government when it set about dismantling much of the authoritarian or coercive machinery of the emergency in the early weeks or months of its coming to power. This explains why there was so much popular acceptance of and enthusiasm for the various legislations and executive measures which Mr Morarji Desai and his colleagues had put through in the period of the Janata government's honeymoon with a liberated citizenry.

These honeymoon weeks have now been left behind and the government has to settle down to a steady and stable domestic life. Unfortunately, there is not enough evidence that it could do so or even that it wants to. For one thing, it has made no attempt to foster a positive, new consensus in the place of the earlier negative consensus which had exhausted itself in the natural course. On the contrary the Janata leaders seem to be vying with one another in kindling new controversies or refuelling old ones. Take, for instance, the unseemly haste and the sinister zeal with which some Janata leaders have started a campaign for the banishment of the English language. Predictably their tactics have given rise to a search for ulterior motives by various sections of the non-Hindi speaking population, which are apprehensive that the authority and resources of the central government are about to be employed to impose Hindi on the country as the sole official language. In this case we are certainly not obliged to give the benefit of the doubt to Janata leaders such as Mr Raj Narain, since he and his like are showing themselves to be intolerant and irresponsible.

Then, again, there is the penchant which the Janata party chairman and many central ministers are showing for generating artificial controversies on economic planning or economic policy-making. It is just not conceivable that there is any section of the community which is or can be against such programmes as the Janata party or its government at the centre or in the states may seek to carry out for improving rural incomes or stimulating employment opportunities. Mr George Fernandes has lately been talking of schemes to be tried out in Bihar. Although his concepts do invite scrutiny, many of us are willing to let faith do service for criticism in the hope that it may be worth the nation's while even to allow its politicians commit a few mistakes in a good cause.

Some Janata leaders do not seem to realise that this accommodating mood of the public places on them an obligation for being restrained and responsible whether in assessing what has been done for the country's development so far or what they themselves could do for its progress in the future. It is a pity that they are blissfully ignorant of the fact that their childish assertion that nothing had been done in the past 30 years for the country's economic growth or social progress is exposing them to ridicule both at home and abroad and causing damage to the credibility of the Janata party and the Janata government. It has been both the strength and the weakness of Indian planning that its frame of reference permits major changes in directions or priorities. If the Janata party, in its wisdom, decides that more resources of men, material or organisation should be devoted to the agricultural sector and rural development even at the cost, if necessary, of investment in the organised industrial sector, there is nothing to prevent its leaders from making all the adjustments required so long as they are able to enunciate clearly the nature and contents of the programmes they have in view. In spite of this, not a day passes without debates being artificially stirred up over such matters as the future of large-scale industry or the role of foreign capital. In the process, the government manages to get out of its obligation to place before the country with any definiteness or in any detail its own ideas of how it proposes to speed up the development process or improve its quality.

Currently the public has been threatened with a policy of nationwide total pro

hibition to be completed within four years. The prime minister, who deservedly enjoys great prestige today, has made this programme his personal commitment. Prohibition has been debated threadbare and nothing new can really be said for or against it as a moral imperative or a socio-economic reform. Any attempt to do so will only revive an endless exercise in point-counterpoint. But what must concern us at all stages of the debate is the obvious and absolutely certain impossibility of abolishing the production of, trade in or consumption of liquor by law or legal penalties. It is true of course that there could be an impressive mobilization of the police powers of the state, provided the governments at the centre or in the states are sufficiently fanatical and there is of course much glib talk among the protagonists of prohibition about the problem being simply one of effective enforcement. Nevertheless none of them, from the prime minister downwards, has so far publicly faced up to the implications of what this "effective enforcement" would involve the country in.

coercive apparatus

Ironically enough the Delhi administration proposes to restructure its police organisation and expand its police force with effect from October 2. This, however, is a merely symbolic recognition of the enormity of the coercive apparatus of the state that any attempt to enforce prohibition might call for. A truer picture of the price the community will have to pay for any attempted effective enforcement of prohibition has been given by Mr M.G. Ramachandran, chief minister of Tamil Nadu, who, actor though he is, has not yet been sufficiently long in politics to be able to practise dissimulation as a matter of course. He has gone on record as being in favour of the central government bringing forward legislation, similar to the MISA, to give deterrent punishment to the anti-social elements, which may be operating from behind the scenes, encouraging illicit distillation and financing bootlegging. Nothing more need be said about the threat of a police state incipient in the kind of thinking which may become associated increasingly with prohibition policy as it finds itself being reduced steadily to the absurd situation of a dog chasing its own tail. It is indeed inexcusable that, even before the echoes of the libertarian slogans of their party's electioneering campaign have died down, the Janata leaders should be so light-heartedly thinking along lines which are bound to lead to a high degree of authoritarianism in government. A minority of the people takes liquor and most of it is none the worse for it nor will probably think twice about violating or circumventing any legal ban on drinking. Another minority, possibly a smaller one, is fanatically intent on forcing prohibition down the throat of this minority. Caught in the clash between these factions or fractions, the vast majority is unfairly faced with the risk that the normal functions of public administration may be disturbed or distorted by the demands made on it for purposes not clearly related to the public interest.

Marking time

THE INDUSTRIAL scene in Tamil Nadu is depressing and entrepreneurs have not felt so discouraged about the immediate outlook at any time in the past as they are now. In the 'sixties there was virtually a boom in every sector' of the region's industrial economy and new units were springing up in the private and public sectors. The earlier entrants in the field were also implementing expansion and modernisation schemes. In the past two years however stagnation has been noticeable and the major industries whose functioning on a healthy basis is important for the state's economy have been getting devitalised due to various factors. Not long ago textile units and sugar mills were enjoying boom conditions, and many managements were thinking of adding to spinning and weaving capacity and crushing capacity. The prolonged depression in the textile industry has however compelled many mills having a distinguished record to suffer losses and also skip dividend payments. The losses have been so heavy in particular cases that capital reserves have been wiped out and it has not been possible to pay even wages not to speak of fulfilling statutory obligations.

The outlook is considered so confusing that even the relatively efficient units are not thinking of implementing expansion schemes and some managements even surrendered their licences for installing automatic looms. The question is now being generally asked where exactly things have gone wrong and whether spinning units should reduce their dependence on sales to the handloom and powerloom weavers. The earlier claim was that south Indian mills were having the advantage of lower capitalisation and efficient management and payment of higher freight charges on the transport of cotton and on the movement of yarn to weaving centres in Maharashtra and elsewhere were not considered as a serious handicap. The difficulties in this regard however are now being acutely felt and it has also been stated that the inordinate rise in prices for cotton has had a crippling effect on profit margins. The purchase policy has also not been such as to ensure availability of cotton at prices reasonable in relation to those secured on yarn sales.

It has, therefore, been suggested that a new agency should be created for effecting purchase of cotton in an intelligent manner and the problems encountered in finding working capital should be overcome with the maintenance of pool stock and payments by users as and when the supplies are drawn from the pool. These issues can be solved only over a period and with a proper understanding of the difficulties of the individual units. What is, however, disturbing is the spreading of sickness in the industry and the inability of many marginal units to carry on their businesses in the absence of the revival or special concessions for overcoming the handicaps arising out of an unprecedented depression.

The sugar industry too is passing through a similar crisis. Against the confident expectations of the leaders in industry in 1974 that the sugar mills in Tamil Nadu would be able to produce more than six

lakh tonnes of sugar in the same capacity and even raising to eight lakh tonnes in two or three years with the commissioning of new units in the cooperative sector and the completion of expansion schemes, all units except some in the South Arcot district are unable to get their requirements of cane. The estimate of production in the 1976-77 season was only 3.2 lakh tonnes and the major contribution would be mainly on account of four units in the South and North Arcot districts and except a few, all would be sustaining heavy losses. What is more disturbing is the prospect of there being inadequate supplies of cane even in the next season and some mills are regretting their earlier decision to implement expansion schemes.

failure of monsoon

In the western districts of Tamil Nadu particularly, the failure of the monsoons in the last two seasons has resulted in a lowering of the water table and pumpsets are not proving as useful as in earlier years. Besides the return on cultivation on competing crops like paddy, turmeric and others is higher than that available on sugarcane and the cultivator will not probably change over to sugarcane unless sugar mills can pay a minimum of Rs 125 or Rs 130 per tonne. The structure of prices for levy sugar has not been conceived in a helpful manner while the realisation of lower prices on open market sales has prevented managements from paying satisfactory prices to the cane growers.

How these anomalies will be overcome with the central and state governments taking cognizance of the peculiar plight of the sugar industry cannot be visualised at this stage. The fate of sugar mills in Bihar may very well overcome the sugar mills in Tamil Nadu if cane prices are not suitably revised and appropriate adjustments in levy sugar prices are not effected. The subsidy element on sale of levy sugar cannot continue on the present scale if ex-factory prices for free sale sugar are not above Rs 330 per quintal. The South Indian Sugar Mills Association has represented to the goverment, that the minimum prices for cane should be raised to Rs 105 per tonne and there should also be a reduction in excise duty on both levy and free sale sugar so that the consumer of levy sugar will not be unduly penalised by higher cane prices and mills also can realise higher prices on free sale sugar with lower excise duty.

The difficulties of the two major industries have therefore to be carefully examined as reasonably profitable working is necessary for preventing the spread of sickness and also sustaining growth over a period. It will be possible to promote industrial development only when these two industries are in a healthy state. The automobile ancillary and miscellaneous industries are not flourishing as there is depression in the automobile industry which has resulted in a reduced offtake from the ancillary producers.

The shortage of power and its higher charges have affected the working of the heavy chemical and plastic units. Even the earlier entrants having lower capitalisation such as Mettur Chemicals are not earning reasonable profits and it is wondered what will happen to new units which will come on the scene in the next two or three years. The new fertiliser units too are suffering losses in spite of the plants operating efficiently while cement producers are worried about their inability to effect exports because of the recent decision of the State Trading Corporation to defer shipments until internal shortages are rectified. The cement units in Tamil Nadu particularly are handicapped on account of higher cost of coal and the deficiencies of the Tariff Commission formula for fixing retention prices. The units implementing expansion schemes are at a disadvantage and without a pragmatic approach to special problems most of the units may not be earning profits which will enable them to pay reasonable dividends on equity capital.

The industrial scene is therefore depressing as stated in the beginning and except for the boom enjoyed by the tea and coffee plantations there is no cheer in any sector of industrial economy. The stock market presents a dismal picture and it is felt that fresh industrial development in the region can take place only if there is an expert study and the state government takes special interest by providing the required incentives. The central government will probably have to come to the rescue with the provision of funds for new projects though it is necessary to take important decisions about how new units can function on the basis of current capital cost and how their requirements of raw materials and components are assured on an equitable basis.

Too much tax on tea

IN HIS presidential address to the annual general meeting of the Tea Association of India, held in Calcutta on September 6, Mr H.R. Shah said that the situation in regard to the availability of tea at lower prices had improved and that this trend would become more evident in the coming months. He observed that with the advancement of the tea season and the flow of larger quantities into the local auctions, prices were bound to come down further. Even so, the tea industry and trade should continue to maintain vigilance over supply and prices. In the meanwhile, the government of India and the state governments concerned should sympathetically consider the many impediments faced by the tea industry in augmenting production and reducing the prices. For example, Mr Shah reiterated the need to lower the excise duty. Assam teas, famous all over the world for their liquoring qualities, have to bear a duty of Rs 1.30 per kg. The burden on Darjeeling tea is even heavier. Mr Shah referred to the severe impact of interest rates on the working loans which banks offer for advance payment of excise duty. He said that with the increasing production every year, the amount of duty to be paid in advance was steadily increasing while, at the same time, there was an imperative need to reduce cost and effect economy without affecting labour. The government therefore should examine the industry's plea for lowering the excise duty and to provide for its payment after the sale proceeds are recovered.

The difficulties faced by the tea industry of Darjeeling have been highlighted from time to time during the last ten years and several studies have been made unde

official and non-official auspices to improve its viability. But it continues to be handicapped by low yield, heavy labour costs and high transport charges. Mr Shah regretted that the Darjeeling tea industry was being treated at par with the higher yielding gardens in the plains in all important matters like excise duty, labour wages and agricultural income-tax. He suggested that the government should set up a cell to look after exclusively the interests of the Darjeeling tea industry. But will it really serve a useful purpose so long as the official policies in regard to taxation and labour laws remain unchanged?

exorbitant tax

Mr Shah highlighted the effects of the tax policies of the governments of Assam and West Bengal on the fortunes of the tea industry. The Assam government has recently enhanced the rate of agricultural income tax to 70 paise per rupee. The government of West Bengal some time ago raised the rate from 50 paise to 55 paise per rupee on income below one lakh rupees and to 60 paise on income above this limit. Mr Shah said that, in the latest West Bengal budget, these rate; had been increased "to unprecedented heights of 65 paise and 75 paise per rupee on Indian companies and to 80 paise on foreign companies." He said: "This single tax is now going to prove the undoing of the tea industry in north east India and may even retard the present negligible growth. To give an idea of its effect, the agricultural income tax is leviable on 60 per cent of the taxable income of a tea company and a penal rate of 75 paise per rupee is bound to take away a major chunk of resources". He suggested that the agricultural income tax rate should be kept at the level of the corporation tax rate of 55 per cent. He felt that this would go a long way in meeting the financial needs of the industry and reducing its dependence on outside sources. Mr Jyoti Basu, the chief minister of West Bengal, who inaugurated the annual meeting, said that the state government fully appreciated the difficulties of the tea industry but, since the need for more revenue was urgent, additional taxation became inevitable. However, he assured that while framing the next budget, the government would consider as to how it could provide some relief to the industry. The government should modify its tax policy suitably so as to provide some incentive to the tea industry to contribute effectively to the state's prosperity.

The power crisis in the eastern region has received a great deal of publicity in recent months but its impact on the tea industry has not attracted sufficient attention. Mr Shah, therefore, did well in stressing on this aspect. He said: "The largest tea producing regions in the world with the largest exportable tea both in West Bengal and Assam have been hit seriously due to acute power shortage. As these states are poised for higher tea production, this acute power shortage is proving damaging. Unlike engineering and textile industries where power shortage may cause production loss but raw material does not get damaged, the tea leaves once plucked and not processed immediately become absolutely useless and a total loss as a consequence.

The tea industry has been appealing to the state government to take measures to step up power generation but the situation has become worse than ever. In fact, a time has come when the state governments should take immediate decision in supplying full power needs of the tea industry by whatever measures necessary".

To meet the immediate power needs, Mr Shah suggested that, the tea estates should be allowed to set up their own captive generating sets and that these should be fully financed by the government on easy payment terms. He observed that this expenditure could be easily offset by the loss [illegible] prevent and help in earning more foreign exchange and more revenue. Mr Jyoti Basu who is also in charge of the Power department did not make any comment on this proposal but he assured that the government was giving the most serious attention to improve the power situation. Has the Tea Association of India ascertained how many of its members will be willing to instal captive generating sets and what approximately is the expenditure that will have to be incurred? The association should submit a concrete scheme to the government so that it can consider its implications.

The tea industry received a good chit for its achievements in production and export. Production rose from 435.47 million kgs in 1971 to 512.44 million kgs in 1976. In 1966 exports amounted only to 174 million kgs but they were 234 million kgs in 1976. The export surpassed the target of Rs 260 crores set for 1976 and touched Rs 272 crores. Mr Shah said, "We in the tea industry are indeed very proud of all these achievements. Even the unit price realisations from abroad have recently shown much improvement but they remain, in real value, still below the 1976 level. Today, too, tea industry has the unique honour of being ahead both in production and export. It has once again become a very important export earner which it traditionally had been till a decade ago". In view of the industry's creditable performance, both the government of India and the state governments concerned should take effective steps to improve its viability.

Eastern Economist 30 Years Ago

SEPT. 26, 1947

Bombay's textile mill workers have gone on strike since September 23. As many as 33 mills report complete stoppage of work, while 27 have been affected partially. Only 6 mills find themselves with the normal complement of workers. This is undoubtedly disturbing news in the context of the current cloth shortage, but there is nothing surprising in this development for such of us as have been following with some concern the activities of certain labour agitators ever since the Industrial Court gave its award on wage standardisation. It is well known that certain sections of the labour leadership in Bombay have made up their mind to sabotage the award for reasons of their own. But, whatever their intentions may have been it has been just not possible for them to muster enough support for a frontal assault on the award as such. An opportunity for creating trouble has risen, however, with the mills making an attempt to apply the provisions of the award to piece-work occupations. The award fixes a standard wage for each time-work occupation for a calendar month of 26 days and a standard basic average earning for a month of 26 days for certain piece-work occupations.

CAPITAL'S CORRIDORS

V. Balasubramanian

What price gold? Smuggling—fingers on the pulse • Customs clearance—making life easier • Travel as you please? • The world laughs at you • Nasty business at NCAER

WHEN PRICES rise, ministers' faces fall. This is the general rule these days when the public, harassed by the high cost of essential commodities, is beginning to be up in arms against the government. There could however be exceptions. For instance, the jump in the price of standard gold to a peak of Rs 636 per 10 grammes in the Indian markets last week-end could conceivably have set Mr Sarat Chandra Agarwal's heart singing with joy. For this young, enthusiastic and energetic minister of state in the ministry of Finance, the higher the domestic price of gold goes up the firmer is the evidence that things are going well with the government's drive against the smugglers of the yellow metal into the country.

Mr Agarwal is refreshingly candid about the revival of smuggling in the recent past. He has no use for futile attempts at whitewashing. At the same time the minister naturally does not want that public concern should be fed with false rumours. According to him, there is as yet no general surge in smuggling activities—and he hopes that the government will be able to prevent any such unfortunate development. He believes that the links between unscrupulous politicians or dishonest officials on the one hand and the smuggler-gangs or their bosses on the other will never again be restored or re-established. Meanwhile it is certainly a matter of considerable anxiety that there has been an increase of smuggling activity along quite a few stretches of the country's land or sea frontiers. Mr Agarwal has a programme of visiting the vulnerable areas periodically and seeing for himself how anti-smuggling operations could be made more fool-proof. He is also insisting on daily reports from the customs administration so that he could keep continuous vigil or watch over the fortunes of the anti-smuggling drive. One of his favourite monitoring techniques is keeping a check on movements in the market prices of goods which form the smugglers' stock-in-trade. Whenever he finds the prices of any of these articles easing in the domestic market, he regards it as an alarm signal that smuggled supplies have increased and proceeds to alert the customs machinery to the need for identifying or plugging loop-holes.

smuggling under control

The minister believes that the various preventive and punitive agencies of the government are now geared more or less effectively to their round-the-clock job of keeping smuggling under control. He admits however that there is a continuing need for improving the coordination of the working of the various departments of government. Since no single official agency has direct responsibility for all the operations which comprise the anti-smuggling drive, this coordination is at once both essential and difficult to achieve. For instance, even when the income-tax administration has received information or instructions for taking action under the law for the confiscation of the assets of a smuggler or his specified relatives, there is often undue delay in the penalty being duly exacted Mr Agarwal is clearly not alone in h belief that the authorities should be mor business-like so that this extremely effe tive deterrent to smuggling activity coul be fully exploited. While the minister i against the routine use of COFEPOSA, h seems to be persuaded that there is sound case for selective resort to thi special legislation for dealing with th really big, bad men in the smugglin business.

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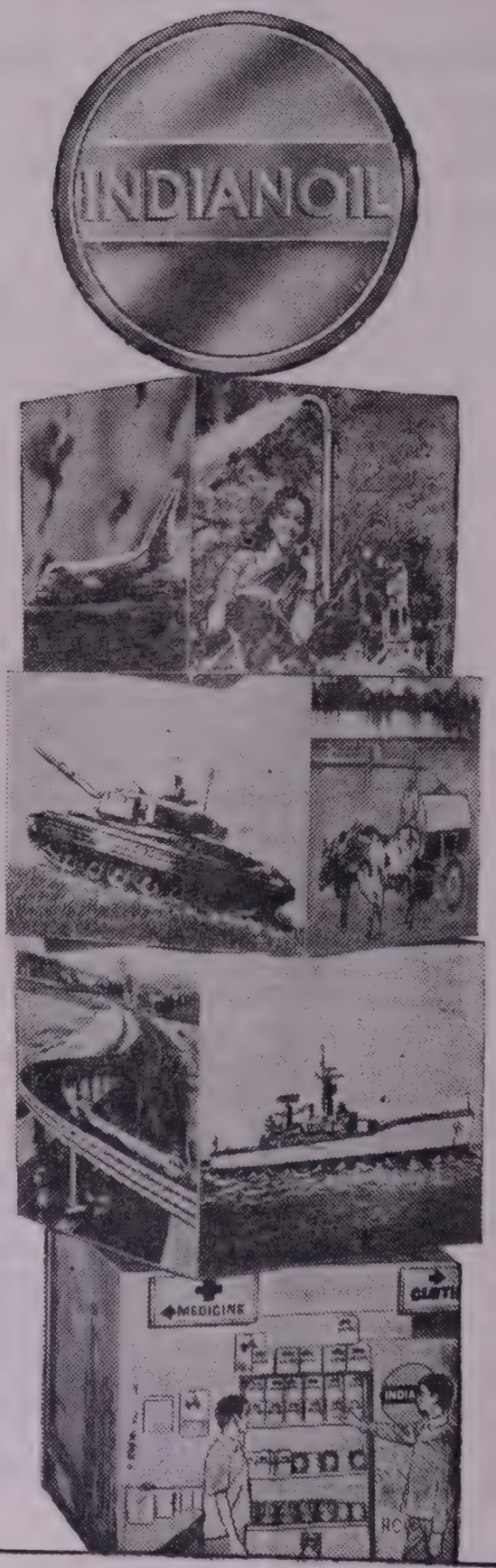
In view of the comfortable foreig exchange position, the feeling is gainin ground that the Finance ministry and th Reserve Bank, in consultation with th ministries of Commerce and Industry should take a new look at the large num ber of miscellaneous customs and trave restrictions which were imposed when th national economy was a chronic suffere from acute shortages of external reserves In fact there is reason to believe that th authorities are reviewing the position an

> According to reports current in the capital, Mr K. B. Lal will be joining the prime minister's office, relieving Mr V. Shankar, who is to replace Mr L. K. Jha as governor of Jammu & Kashmir. There is also mention of Mr T. N. Singh for the governorship of West Bengal and Mr Bhola Paswan for the governorship of UP.

are about to announce some liberaliz tions. For instance, the monetary lim of Rs 500 up to which a traveller is allow ed to bring into the country duty-fr baggage may be raised upward, or argument in favour of this increase bein that the existing ceiling has become an chronistic because of the global inflatio in recent years. Official thinking may b inclined towards a modest increase in th limit, but it is being urged upon th government that too much conservatism this case would defeat the purpose of th revision. A fairly widespread view is th baggage should be allowed free of duty t to a limit of Rs 2,000.

There are also those who argue tha

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whatever may be the increase made in the monetary limit of duty-free baggage, the traveller should be allowed to bring, in addition, duty-free professional equipment for his personal use, such as medical instruments for a doctor, a typewriter for a journalist or a camera for a professional or commercial photographer. It will of course be necessary to impose a few essential conditions on eligibility for this concession so that it may not be abused. Liberalisation is also being advocated in respect of the listing of goods qualifying for inclusion in the duty-free baggage. It is argued that the banned items should be kept as few as possible. It is pointed out that only if the monetary limit on the duty-free baggage is increased substantially and the restrictions on the contents of the duty-free baggage kept to a minimum, the basic purpose of simplifying and speeding up customs clearance, which is the reducing of the scope for the harassment of incoming travellers will be achieved.

proposals should click

Even from the revenue point of view, these proposals should click with the government since the efficiency of the customs staff, who could concentrate more effectively on major violations of regulations, would be improved when the work load is reduced. Meanwhile it appears that the authorities are already looking into the question of restructuring and rationalising customs clearance procedures so that passengers' time is not wasted. As it is, passengers are often compelled to spend unduly long hours in the customs enclosure, after a long and tiring inter-continental or other international flights. There is a proposal to introduce a scheme of division of labour at the stage of checking of baggage, identification of dutiable items and any and levying of penalties where indicated so that one single official may not have to perform all these operations in the case of a passenger. It is also being considered whether the customs superintendent may not be authorised to settle disputes over penalties up to a limit of Rs 5,000, thereby relieving the assistant customs officer of some of his heavy workload. A particularly interesting suggestion under examination is to the effect that, where a passenger is detained unduly long for purposes of customs clearance, he should be provided with food, beverages and other facilities at government expense so that his prolonged wait might be made less unbearable.

* *

As is well known, remittances by Indians working abroad, who have relatives in the home country, are playing a big role in building up the foreign exchange reserves. It is believed that if the flow of these remittances could be further encouraged, the increase in the receipts from this source would more than pay for the proposed liberalisation of duty-free baggage rules. When these expatriate Indians return to the country they naturally desire to bring with them generous presents for their kith and kin. The proposal is that higher duty-free baggage limits should be fixed in their cases, the extent of this concession being related to the amount of foreign currency remittances made by them to this country during a specific preceding period. This scheme may involve the issuance of certificates at the time the remittances are made so that these certificates could be used as qualifying documents for the special duty-free baggage concession.

Finally, more and more people are arguing that the paltry amount of six dollars or its equivalent in other foreign currencies now granted to passengers travelling on 'P' form should be immediately increased since there is no justification at all for forcing Indian nationals to go abroad virtually empty-handed when the country's foreign exchange position is at least comfortable. More generally, it is being urged on the government that it should up-date official attitudes and approaches to foreign travel by Indian nationals or remittances from citizens of this country to their relatives abroad, when such remittances are clearly justified on economic or socio-economic grounds.

The contention here is that most of the austere foreign exchange regulations now obtaining are not relevant to the current state of our foreign exchange reserves or the outlook for the movement of these reserves in the period immediately ahead. Indian citizens going abroad should not be compelled to put on a show as beggars or paupers when there is no compelling national necessity for them to cast themselves in either of these roles.

* *

A colleague who has just returned from abroad tells me that many of our foreign missions are being embarrassed by the demand made on them that they arrange for official invitations for our Health minister to visit the countries concerned. Mr Raj Narain, presumably, is in a hurry to carry the torch of *Bharatiya Sanskriti* to the four corners of the world. Good intentions, however, are not always enough. In fact there is real concern in some quarters in the capital over the readiness with which the foreign press or other foreign observers are seizing upon the fads and fantasies of some of our Janata leaders to present India as a country for ever doomed to relapse periodically into the dark ages. The following excerpts from a sneering commentary in *The Economist* (London) of August 27 makes me say, in the words of Queen Victoria, "We are not amused":

"Auto-urine therapy is to India what acupuncture is to China—an ancient remedy for curing just about everything from cancer to the common cold. What it means in plain language is drinking one's own urine. India's prime minister, a naturopathy faddist who boasts that he has never let a drug enter his house, is rumoured to be a practitioner of this therapy. And his Health minister, an ardent advocate of ancient Indian medicine, has just promised to set up a committee to study its merits.

"The dosage prescribed by auto-urine therapists depends on the symptoms of the patient. As a general tonic, it is said, a teaspoon a day keeps the doctor away. If you suffer a minor illness and are listless and off-colour, you need the cup that cheers. In case you fall seriously ill, nothing short of recycling of your fluids will suffice; not a drop to be wasted."

* *

The National Council of Applied Economic Research, which is functioning in the capital, is among the more prestigeous academic institutions in the country. In the normal course, it finds a place in

the news when its research studies are released to the press. In the recent past, however, it has been receiving a different and less agreeable kind of publicity. This is because of what appears to be a far from happy state of relations between its management and its staff. It may be recalled that the NCAER authorities declared on May 30 this year a lock-out which was not lifted until July 29. The lock-out had been preceded by an agitation by the NCAER Employees' Union which claimed that it was protesting against the alleged excesses committed against its members by the management during the emergency. The complaint was that the management had become more and more authoritarian and had introduced extensive changes in their service conditions to the detriment of the employees. The agitation itself was not always seemly and there were reports that more militant employees had not always restrained themselves from indulging in intimidation and similar objectionable tactics.

The agreement on the basis of which the lock-out was lifted should normally have provided a point of departure for employer-employee relations in the NCAER. This, unfortunately, has not happened. The employees seem to be nursing a grievance that the agreement included certain coercive conditions to which they had to submit only because of their weak bargaining position. Moreover, the relationship between the management and the research officers of the council, who have their own separate association, seems to have been deteriorating over a period and currently a charge is being made that the management has resorted to victimisation in respect of this category of staff. In cases of employer-employee disputes, it is never easy to see things in terms of black and white, but an objective look at the administrative affairs of the NCAER does leave the impression that its top management has at no time made a serious attempt to regularise or rationalise the service conditions, especially of its junior staff, on a sound basis. This reflects no credit on a research organization of an essentially academic character which has been in existence for over 20 years. While it may be readily conceded that a research institution, which derives its income from projects lasting for varying periods, must necessarily have a flexible recruitment or other staff policies, it does seem to be too much of a good thing that, as maintained by the management itself, the NCAER could be subject neither to the labour laws of industry nor to the service rules of the government or the statutory bodies nor the provisions of the Shops and Establishments Act. As even middle-level employees of the NCAER are remarking, this in effect means that only arbitrary conditions of domestic service are applicable to the NCAER staff.

The Council receives a central government grant of two lakhs of rupees per annum and its main income, which totalled Rs 37 lakhs in 1975-76, is earned from research studies the bulk of which is commissioned by the central government or state governments. There is thus a very clear public interest element in the affairs of the NCAER. All its well-wishers would certainly desire that a proper academic atmosphere should be promoted in the working of the institution generally and, more particularly, in the relations between the director-general and his top aides on the one hand and the rest of the staff including field workers on the research side on the other. Mr P.L. Tandon, the present director-general, prides himself on his industrial culture inculcated in him by his service with Hindustan Lever Ltd. It is possible that his brand of industrial culture is too concentrated for the nervous system of this institution, although it must be said in fairness to the present director-general that two of his three predecessors, who it is not necessary to name, were not innocent of this industrial culture, in spite of their not having had Mr Tandon's industrial background. Parliament, perhaps, could legitimately take an interest in the affairs of this institution.

RECORDS AND STATISTICS

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Steel on the march : Rourkela's right to grow

R. C. Ummat

After having discussed Bokaro and Durgapur in the two previous issues, Mr Ummat makes a study of Rourkela steelworks in these columns. The project has been able to wipe out its accumulated losses and the cumulative profits last year had amounted to Rs 49.56 crores. The management has proposals for two expansion schemes, one for augmenting CAN fertiliser production and the other for the manufacture of special kinds of cold rolled electrical sheets.

THE ROURKELA steelworks was the first one to be sanctioned for construction in the public sector in the early fifties with assistance from the Federal Republic of Germany. Its initial capacity of one million tonnes ingots or 0.72 million tonnes flat products was later on expanded to 1.8 million tonnes ingots or 1.225 million tonnes saleable steel. This plant has registered impressive gains in output since 1974-75. An idea of this can be had from the Table given on page 598.

On month-wise basis, several units of the plant operated last year above the rated capacity. These included the plate mill (107.2 per cent) and open hearth furnaces (120.4 per cent). The production of tested quality steel last year amounted to as much as 0.938 million tonnes, as against 0.835 million tonnes and 0.608 million tonnes in 1975-76 and 1974-75, respectively. The improvement in quality has been there in all the products. The production of such items as boiler quality ship-building quality and weldable quality plates has been raised very significantly. The manufacture of open top sanitary can (OTSC) tinplate for packaging industry has also been developed.

The output this year is proposed to be raised to 1.55 million tonnes ingot steel and 0.34 million tonnes CAN fertilizer. The production of saleable steel is envisaged to be around the last year's level. The progressive increase in production during the last three years has been facilitated a great deal by the extensive maintenance and debottlenecking programme undertaken since the turn of the current decade. The debottlenecking programme has embraced all the sections of the project, including the fertilizer plant. It has involved addition of some balancing facilities.

The steel complex of the project started yielding profit in 1973-74 and the fertilizer plant in the subsequent year. The profit of the steel complex went up from Rs 9.74 crores in 1973-74 to Rs 18.15 crores in 1974-75, Rs 28.33 crores in 1975-76 and Rs 33.13 crores in 1976-77. The fertilizer plant incurred a loss of Rs 1.20 crores in 1973-74, but earned a profit of Rs 2.71 crores in the subsequent year, Rs 2.41 crores in 1975-76 and Rs 2.70 crores in 1976-77.

POINT OF VIEW

The project was able to wipe out its accumlated losses by 1975-76, leaving a net surplus of Rs 13.73 crores in that year. The cumulative profit by the end of last year had been Rs 49.56 crores when the gross block of the project amounted to Rs 508.57 crores (Rs 422.06 crores in regard to the steel complex, Rs 28.53 crores in respect of ore mines and quarries, Rs 26.35 crores for the fertilizer plant and Rs 31.63 crores for the townships).

With a view to further improving the profitability of the project and also to attune its product-pattern to the changing needs of the economy and effecting import substitution to the extent possible, the management has been making concerted efforts at diversification as well as in the field of research and development. The research and development endeavours have resulted in the development of high strength low alloy plates (ROUSTAL) to meet the Bhilai steelworks' requirements for expansion programme, plain carbon high strength plates (ROUTEN) and corrosion resistant steel (ROUCOR) to cater for the needs of coach panelling and manufacture to marine containers, rim stabilised steel (ROUDRAW) for the automobile industry, medium carbon hot-rolled coils for the production of chain links and ball bearing cages, low silicon hot-rolled coils to conserve zinc consumption in tube-making and cold-rolled electrical sheets (ROUSIL) for improved surface finish and physical characteristics. Efforts are continuing to develop ROURORM plates for meeting the requirements of the automobile industry for the production of chassis for light and heavy vehicles.

foreign exchange saver

Inventory control of spares and raw materials has been made progressively more and more stringent. Marked economies have been registered in this regard. The inventories of finished products, which aggregated to Rs 84 crores on March 31, 1976, however, went up to Rs 95 crores by March 31 this year. They have gone down to about Rs 75 crores in the first four months of the current financial year, thanks to improved domestic offtake as well as export effort. Rourkela, of course, is essentially a foreign exchange saver by virtue of it producing sophisticated flat products. Its exports, have to be marginal. They netted last year Rs 3.8 crores from a quantity of 17,710 tonnes (including the supplies to Bombay Municipal Corporation under

IDA credit), bringing the total foreign exchange earnings up to March 31, 1977, to Rs 23 crores. This year they are expected to be of the order of Rs 12 crores from shipments of tinplate, GP sheets and plates, pipes, cold-rolled sheets and galvanised sheets for which orders have been received from Burma, the Soviet Union and some other countries. The steelworks has exported its products to such countries as Kuwait, Dubai, Iran, the Philippines, the United Arab Republic, Nepal, Holland, the United States, Japan, Bangladesh, Australia and New Zealand.

diversification measure

As a measure of diversification, an electric resistance welded (ERW) pipes plant was set up at Rourkela a few years ago to cater for the needs of transportation of crude oil, water, gas, etc., and for a variety of other applications in agriculture, industry and construction. The pipes produced by this unit have outside diameter ranging from 21.84 cm to 50.80 cm and wall thickness from 0.56 cm. to 1.27 cm. A 55,000 tonnes annual capacity spiral welded plant was added last year at a cost of about Rs 19 crores to manufacture larger diameter pipes (18 to 55 inches) for the above applications. A slag granulating plant has also been commissioned recently with an investment of a couple of crores of rupees for the benefit of the cement industry. It can augment cement production by a million tonnes.

The management has proposed two more schemes of expansion. One relates to augmenting the production of CAN fertilizer to the designed capacity of 460,000 tonnes by adding another naphtha reforming unit to the one already put up to supplement coke-oven gas supplies and the other for undertaking the production of cold-rolled grain-oriented (CRGO) and cold-rolled non-oriented (CRNO) electrical sheets. The former is expected to cost Rs 19 crores and the latter Rs 109 crores.

The Public Investment Board is expected to clear shortly the CRGO-CRNO sheet manufacturing programme on account of its import substitution potential. Pending this approval, technical arrangements for putting up the unit are being made with ARMCO. The unit is expected to come up within 40 months from the date of commencement of the construction work.

With a view to maintaining the tempo of production and to reduce the dependence on imported spares, the management has undertaken two more programmes. A workshop is being constructed at an initial cost of Rs 2 crores for the manufacture of spares so far imported. It is envisaged to be expanded in course of time at an additional cost of Rs 3 crores to completely obviate spares imports. The cranes in the plant are proposed to be completely revamped in a phased manner over a seven-year period at a cost of Rs 10 crores. The hot strip mill is being modernised at a cost of Rs 26/27 crores. Under this programme, automatic gauges and electrical controls are to be added to the mill. The rationalisation and modernisation programme may raise the capacity of the plant as a whole by about 20 per cent.

The major worry of the management is : what next? It would like the project to be expanded at an early date. But surely this expansion programme has to be fitted in the overall expansion plan of the steel industry in respect of which there will be contending claims not only from the Durgapur and Jamshedpur works but also from the grass-roots plants at Visakhapatnam, Vijayanagaram and Paradeep or some other location in Orissa. For the present, expasions of the Burnpur, Bokaro and Bhilai projects may not have to be considered. The Burnpur works will take several years to be put in trim. The Bhilai and Bokaro works are already being expanded to four million tonnes ingot capacity each.

Rourkela's right to grow is entitled to recognition, for its expansion project will be less expensive than the other schemes. The expansion programme of the steel industry has to be drawn up realistically if for no other reason than for the fact that capital resources are scarce and need to be harnessed very judiciously.

Production and Capacity Utilisation at Rourkela Steelworks

(million tonnes)

Item	1974-75	1975-76	1976-77	Growth over 1975-76 (percentage)
Production				
Ingot Steel	1.066	1.282	1.503	17.3
Saleable Steel	0.812	1.041	1.174	12.8
CAN Fertilizers	0.245	0.309	0.318	3.0
Capacity Utilisation (Percentage)				
Ingot Steel	59.2	71.2	83.5	
Saleable Steel	66.3	85.0	95.9	
CAN Fertilizers	55.7	70.2	72.3	

Khandsari holds great promise in Haryana

R. K. Bahl

Haryana has a large area under sugarcane cultivation. There are not many sugar mills and the villagers use primitive Kohlus to extract gur from sugarcane. The author, who is a teacher-fellow in the department of Economics, Kurukshetra University, recommends an improved type of machinery that would produce khandsari with extraction of increased sucrose content which might be more profitable than mill extraction which involves higher cost of installation of machinery and longer lead for the farmer even through it gives a slightly higher sugar output.

AGRO-BASED and agro-oriented industries account for the largest proportion of our industrial and national income. Almost two-thirds of the industrial employment in the country comes from this sector, and this is generally true of all developing countries. These industries hold great promise for the economic prosperity of the rural and agricultural population in view of the high employment potential and capacity of sustaining and rapidly transforming the rural economy with subsidiary industries. This is a study of the sugarcane production and its economic utilisation for getting maximum social and economic benefits for the rural population of Haryana for which a primary survery was conducted by the author.

This country ranks as one of the largest sugarcane producers of the world. Sugarcane is grown in almost all the states of India. However, Uttar Pradesh in the sub-tropical belt and Maharashtra in the tropical belt contribute a substantial share in the production of sugarcane. The share of UP in the total production of sugarcane in the country was 44.35 per cent (1973-74) whereas that of Maharashtra stood at 9.19 per cent (1973-74). Haryana also occupies a unique place on the sugarcane map of the sub-tropical belt of the country. In terms of area under sugarcane it holds the third position in the sub-tropical belt having 4.72 per cent of the total area under cane in the country (1973-74), but in terms of production of cane, it ranks second in the sub-tropical belt having 4.32 per cent of the total production of sugarcane in the country (1973-74). The percentage under sugarcane to net sown area in this state was 3.51 in 1973-74.

Sugarcane has been grown in this region for centuries. This crop more than any other withstands the hazards of weather and natural calamities to which the state is prone. As it is a long duration crop, it does not require constant supervision, observation and frequent decision-making in regard to its operations. It provides a much needed security and more or less stable and assured market to the farmers, which is not the case with most of the other crops. That is why sugarcane occupies an important position in the cropping pattern of the state. Unfortunately this important cash crop is not being put to proper use by the farmers. It is necessary that this cash crop is utilised in such a way as to get maximum socio-economic benefits for the sugarcane growers.

From the table below it is obvious that in Haryana only 14 to 20 per cent of the total sugarcane production is utilised for the manufacture of white sugar by the regular sugar factories whereas in Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu this percentage is 90 per cent, 26 per cent, 33 per cent and 34 per cent respectively. A huge quantity of sugarcane is crushed in Haryana in the conventional cane crushers for conversion into gur. In 1969-70 season the cane crushed by the sugar mills of this state was only 14 per cent (amounting to 110,000 tonnes) of the total production in the state. In 1970-71, 1971-72, 1972-73 and 1973-74 the respective shares of the cane crushed by the sugar mills to the total production of sugarcane in the state was 13 per cent, 15 per cent, 18 per cent and 20 per cent respectively, amounting to 91,890, 71,110, 100,800 and 119,200 tonnes respectively). In all the above five years about 60 per cent of the total sugarcane production (amounting to 475,200, 424,200, 308,400 and 336,000 tonnes in 1969-70, 1970-71, 1971-72, 1972-73) in the state was utilised for gur-making except in 1973-74 when its share stood at 58 per cent (amounting to 345,600 tonnes). Some percentage of the

Utilization of Sugarcane for the Manufacture of Different Items in Haryana

(In '000 metric tonnes)

Year	Sugar		Khandsari		Gur-making		Others		State	
	Qty.	per cent	Qty.	per cent	Qty.	per cent	Qty.	per cent	Qty.	per cent
1969-70	110.88	14.0	110.88	14.0	475.20	60.00	95.04	12.00	792.0	100.0
1970-71	91.89	13.0	106.0	15.0	424.2	60.00	84.84	12.00	707 0	100.0
1971-72	77.11	15.0	56.54	11.0	308.4	60.00	71.96	14.00	514.0	100.0
1972-73	100.80	18.0	44.80	8.0	336.0	60.00	78.40	14.00	560.0	100.0
1973-74	119.2	20.0	41.72	7.0	345.6	58.00	89.39	15.00	596.0	100.0

Source:— (i) For 1969-70 to 1971-72, Statistical Abstracts of Haryana.
(ii) For 1972-73 to 1973-74, Cane Commissioners' Office, Haryana, Chandigarh.

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sugarcane is also converted into khandsari. In 1969-70 season, 14 per cent of the total sugarcane production in the state (amounting to 110,880 tonnes) was utilised for khandsari manufacture, while its share in 1970-71, 1971-72, 1972-73, 1973-74 stands at 15 per cent, 11 per cent, eight per cent and seven per cent respectively as is clear from the Table (amounting to 106,000, 56,540, 44,800 and 41,720 tonnes respectively).

For conversion of sugarcane into gur, it is crushed by crushers driven either by bullocks or power. The resultant bagasse from these crushers contains much higher sugar content than that contained in bagasse from regular sugar mills. The extraction of juice from cane by bullock driven kohlus is generally 45 to 50 per cent and by ordinary power crushers it is 55 per cent to 60 per cent, whereas in a regular sugar mill, juice extraction varies from 75 per cent to 80 per cent. Consequently a large quantity of sugar is destroyed by burning of this bagasse in the furnaces. In order to save this huge national loss, it is essential that maximum quantity of sugarcane is brought to the sugar mills. The sugar mills presently installed have a capacity to crush a maximum of 25 per cent of the sugarcane grown in the state.

essential prerequisite

A consolidated area under sugarcane cultivation in the vicinity of the factory is an essential prerequisite. The size of cane holdings are quite small and widely scattered. We find fields of even below one hectare in the state while in other countries cane estates run into thousands of hectares. In Haryana between 7,000 and 16,000 growers feed a sugar mill having a crushing capacity of 1,250 tonnes per day while in Maharashtra not more than one thousand growers are needed to feed a mill of the same size. Therefore, the mill-owners have to transport sugarcane over great distances and in this transit a good deal of sugar is lost by way of inversion. The advantage thus gained by extracting higher percentage of juice in the sugar mills is lost to a certain extent due to loss of sugar by inversion. Moreover the cultivator stands to lose in the sense that he has not only to bear the additional transport charges partially or wholly, but also his sugarcane produce is liable to weigh 5-10 per cent less due to drying up of the sugarcane within this period.

Regular sugar mills require huge capital investment which is not forthcoming in this state. The capital investment cost of a regular sugar mill comes to over Rs 1000 per tonne which cannot be easily available in this state. Therefore, for the proper utilization of this very important cash crop of the state, setting up of small improved khandsari plants in the cooperative sector may be the best alternative. The sugarcane juice extraction in an improved khandsari plant (power crushers having six rollers) is higher than that in the ordinary village kohlus or crushers. In power crushers, extraction of juice may vary from 65 per cent to 75 per cent. The quantity of juice which is burnt with bagasse can thus be saved by setting up these khandsari plants.

small cost

An improved khandsari plant with an annual crushing capacity of about 6,000 tonnes costs only about Rs 400 per tonne of cane crushed by way of capital investment. It is, therefore, obvious that a regular sugar mill is more capital intensive because it requires about 2½ times more capital investment than that of a khandsari plant for crushing one tonne of cane. This additional capital investment in sugar mills brings one to 1½ per cent additional recovery of sugar, which does not justify the heavy investment involved. It will not be difficult to find finance for such khandsari cooperatives. Finance may be arranged from cane-growers members of these small cooperative khandsari plants, the small scale industries corporation, Khadi and Village Industries Board of Haryana and the nationalised banks. Gate area for a khandsari plant with an annual capacity of about 6,000 tonnes may extend up to a radius of five kilometres with the result that small sugarcane growers can transport their crop by means of bullock carts and tractor trollies and minimise the time lag between harvesting and crushing of sugarcane. The larger the time lag, the lower the sugar recovery. Sugar recovery up to 8.5-9.0 per cent is possible by this process as against 9.5-10 per cent achieved in regular sugar mills.

The sites to be selected for setting up of new improved khandsari plants in the interior should preferably be at junctions of the main roads for ease of transport of sugarcane from the adjoining areas. In the very beginning places in the development blocks lying outside the gate area of the sugar mills may be selected for installing khandsari plants. To avoid cut-throat competition with the sugar mills for the sugarcane supply these units should be installed beyond the reserved areas of the sugar factories.

generation of savings

An important contribution made by these khandsari cooperatives may be the generation and mobilisation of rural savings for economic development. In a country such as ours, where 70 per cent of the population lives in the villages and rural incomes form about 50 per cent of the national income, raising of resources from this sector for national development is of considerable importance. Any organisation that would stimulate as well as mobilise rural savings must be welcome as a national priority. As an instrument for achieving this objective, khandsari cooperatives may be an ideal agency. Cane-growers may contribute their savings towards share capital of these cooperatives. Even small and poor cane-growers will be prepared to invest resources in this rural agro-based industry as they hope to directly benefit through a stabilised marketing system. This kind of institutional opportunity for voluntary collection of savings in the rural areas cannot be possible without these khandsari cooperatives. The most important aspect which highlights the suitability of setting up khandsari plants in the cooperative sector as an instrument of saving lies in the fact that, through their operations, these may be in a position to keep back a part of the cane price from their cane-grower members. Thus khandsari cooperatives have a built-in mechanism for financial resource mobilisation.

The problem of unemployment is very acute specially in the rural areas of the country. That is why the Janata government is keen on decentralisation of indus-

try, promoting the growth of small-scale industries and giving a rural orientation to industrial growth. A regular sugar factory having a crushing capacity of 1250 tonnes per day and with capital investment of Rs 3.5 to 4.0 crores would be able to provide employment to 800—900 persons, while a khandsari plant would be able to absorb 170—200 jobless persons with the requirement of Rs 10-15 lakhs as capital investment on land, building machinery and working capital. This employment in the khandsari plants will help in shifting the pressure from land to industries, because most of the labourers to be employed in these units will be from the villages who presently depend for their livelihood on agriculture. The cultivator himself will be relieved of the drudgery of crushing sugarcane in the chilly nights. He will thus have plenty of spare time to concentrate on intensive cultivation of his field for the next kharif crop.

subsidiary industries

Khandsari industry encourages the promotion of subsidiary industries. Such bye-products as molasses and bagasse are useful for the manufacture of industrial and alcohol based chemicals, paper, card-boards, etc. There are additional advantages in promoting khandsari plants. Normally higher prices are paid by khandsari plants for sugarcane than by the large mills. This will benefit agriculturists substantially. The gestation period of large sugar mills is between 2 and 3 years. Khandsari plants can be set up within 6 to 9 months' time. Moreover promotion of khandsari plants will given fillip to local engineering units for the manufacture of khandsari sugar plants and spare parts. It is thus obvious that employment potential in the small scale khandsari units is much higher than in the large-scale sugar factories.

A khandsari unit involves simple machinery and requires maintenance during the season and off-season. A simple workshop should be set up as part of the khandsari unit consisting of machines such as lathe, drill and a shaper. It will help in repairing agricultural implements commonly used in the area and act as a channel for the flow of mechanical knowledge to the villagers. In the process it will help accelerate the pace of rural industrialisation. There is already a great urge among the cultivators of Haryana to adopt farm mechanisation. The use of pumping sets, tubewells for irrigation, tractors and other implements for ploughing and cultivation with the help of mechanised agricultural implements is becoming quite popular.

improved cultivation

Lack of maintenance facilities for modern machinery and implements is the main obstacle in the propagation of mechanisation on farms. In case of breakdowns or for maintenance work, farmers at present have to go to distant towns, thus losing valuable time at the most critical period of cultivation or harvesting. The small workshops attached to every khandsari unit will help the growth of technical know-how for the maintenance of agricultural implements in the villages itself and to make the villagers machine-minded. For cane development activities, every khandsari plant must have its own farm. This farm should function as a centre for rendering various kinds of services to the cane growers with a view to improving cane cultivation. There should be a soil testing laboratory as an integral part of the farm where farmers may get their soils tested free of cost or on payment of a nominal fee and obtain advice regarding the kinds and doses of fertilizers to be used in their fields and on other relevant matters. These farms can thus give much incentive to the cane-growers to increase the yield of cane and improve the quality of cane. The sucrose content in cane and thereafter recovery percentage can be increased and the cane cost per unit of khandsari will be reduced which will raise the profitability ratio for these plants.

In addition to the building of internal resources, grower members of khandsari co-operatives may also contribute voluntarily a portion of the cane price payable to them for area development. For instance, in Maharashtra where a large number of co-operative sugar factories has been established, the average contribution for socio-economic benefits has ranged from Rs 10 to Rs 12 per tonne of cane. The amount so raised has been utilised for various schemes for area development. Through such savings, schools, hospitals and a host of ancillary economic activities have been initiated. This voluntary effort has relieved the burden on the state exchequer which would, otherwise, have had to provide such services in the absence of local effort. In Haryana, where large-sugar factories are not feasible, special deductions should be made from the cane price payable to cane grower-members of khandsari co-operatives for these development schemes.

There is a number of new irrigation schemes in this state which have been recently implemented and some more schemes are likely to be planned and implemented in the coming years. Millions of hectares of barani land are going to be irrigated by canals, thus making it possible to add to the sugarcane acreage in the state. Given adequate supply of water at appropriate times, there are certain barani areas which are capable of producing sugarcane. There are other areas where at present sugarcane is produced in very meagre quantity, just because of lack of adequate supply of water. The new irrigation schemes will supply additional water to such areas, thus making it possible to increase sugarcane production.

incentive to farmers

In areas presently suited for sugarcane cultivation, the farmers are not very much inclined to cultivate it in view of the labour involved in cutting and crushing it in the extreme winter season. The normal course for the farmer is to avoid this hard labour or the difficulty of transporting his sugarcane to the mills at far off distances, by switching over to other cash crops. An average farmer when asked why he is reluctant to grow sugarcane which is a cash crop, will invariably reply that crushing of this crop is very much labour intensive. The installation of khandsari units amidst the present sugarcane growing farms will also serve as an incentive to the present non-growers of sugarcane to change their pattern of crops by shifting from other rabi crops to sugarcane, a cash crop. Thus with the advent of the khandsari scheme, the sugarcane acreage may be increased to some extent.

Recently, the sugar industry has emerged as a large scale foreign exchange

earner. In 1974-75, sugar fetched Rs 475 crores from abroad. It is high time that factory-made sugar was set apart exclusively for export and khandsari (sulphur) used for internal consumption for which the production of the improved variety will have to be increased at every cost. It is a pity that the manufacturers of khandsari sugar in Haryana have been using primitive methods and, therefore, sugar recovery is very low. Sugar recovery in the regular sugar mills in thiss tate is from 8.0 to 9.0 per cent, while the recovery in khandsari plants has been from 4.50 to 6.50 per cent. But khandsari sugar produced in UP and Andhra Pradesh is of higher quality and compares favourably with crystal sugar. The recovery percentage in the improved khandsari plants of UP and Andhra Pradesh is about 8.50 per cent. For improvement in the recovery of khandsari sugar in this state, encouragement should be given for installing an improved type of khandsari machinery developed by the Planning Research and Action Institute, Lucknow. It is strongly recommended that the installation of khandsari units should be declared as part and parcel of the rural industrialisation scheme of the state. The parties who are willing to invest in the scheme should be eligible for all facilities, subsides or concessions which are presently being offered for other rural industries in the state, but preference should be given to growers' co-operatives. Haryana Agro Industries Corporation can aid by directly promoting or indirectly assisting engineering units to manufacture modern khandsari sugar plants and supplying them to the entrepreneurs under the hire purchase system. At the present moment assistances rendered by the Khadi and Village Industries Commission and the Khadi and Village Industries Board of Haryana are limited and inadequate for the promotion of khandsari plants in a big way matching with the sugarcane production in Haryana. The board is able to give Rs 2.9 lakhs as loan to co-operative units.

Loans may be offered for projects with improved khandsari equipment on attractive terms without going into the long procedural channels which are liable to cause unnecessary delays and harassment to the potential entrepreneurs. In the initial stages of development of this industry full advantage should be taken of the technical services rendered by institute at Lucknow. The state gove ment with the help of the Industr department and the Agricultural depa ment should try to educate the ca growers about the scope and potential of the khandsari scheme by publishi required pamphlets and booklets in si ple regional languages giving the deta of cost and equipment, process involv and the benefits to by accrued by cultivators and the investors from t scheme. The publications should str upon the loss of juice incurred by usi village crushing units. In additi some skilled labourers will have to imported from UP in the initial stag To meet the demand of skilled labour for khandsari units, a special course the ITI's and polytechnics close to so of the sugar mills or khandsari un will have to be started. With a view encouraging quick industrial promot based on sugarcane, adding additio income to the agriculturists and aid other subsidiary industries in rural ar in the state, the policy of promot khandsari cooperatives in Haryana wil quite rewarding.



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India and the World Bank

The World Bank and IDA lending of $ 750 million to this country during the fiscal 1977 was devoted to the development of agriculture, energy and telecommunication. More than half of this credit ($ 481 million) comes from IDA free of interest with a service charge of $\frac{3}{4}$ of one per cent.

INDIA RECEIVED $750 million from the World Bank and its affiliate, the International Development Association (IDA) during the fiscal year ended June 30, 1977, according to the annual report of the Bank.

About $481 million of the total has come from IDA on concessional terms. The Association's credits are for 50 years, free of interest, but carry a service charge of 3/4 of one per cent.

The Bank's report says, "In fiscal 1977, the Indian economy continued to build on its bright performance of last year. Early in calender 1977, best estimates were that real Gross Domestic Production (GDP) might rise around two per cent on top of the 8.8 per cent growth for 1976."

WINDOW ON THE WORLD

The World Bank report adds, "Lower GDP growth in 1977 may be explained by the fact that agricultural production, although the second highest on record, was less than in 1976—a year of exceptionally favourable monsoons. Production of cash crops generally increased, however. Industrial production was also projected to grow—by more than 10 per cent, or twice the increase of 1976, and the highest in more than a decade—as a result of increasing domestic and export demand and generally adequate supplies of power. The country's trade balance also headed for a major improvement in 1977. Exports of manufactures increased considerably, and the total volume of exports was likely to grow about 10 per cent, reflecting the effect of policies of stimulation implemented last year. As a result, foreign exchange earnings were estimated to increase about 16 per cent. With total imports declining somewhat (led by declines in imports of fertilizer, fuel and foodgrains), the country's trade deficit is likely to be about $1,000 million lower than the fiscal 1976 deficit of $1,500 million. In addition, the net receipt of invisibles is expected to rise by some $300 million, resulting in balance of payments surplus and an addition to foreign exchange reserves. Though inflation is of some concern again (wholesale prices, which fell steadily between September 1974 and March 1976, in subsequent months were rising at an annual rate of about 10 per cent), the large foodgrain stock, as well as the increased scope for imports resulting from large foreign exchange reserves and further liberalisation, should help counter further upward pressure on prices."

Bank and IDA lending in India during fiscal 1977 was devoted to the development of agriculture, energy, urban development and telecommunications.

An important new development in fiscal 1977 is the Bank loan of $150 million for the development of the Bombay High and Bassein oil and gas fields. The project is the first operation for the Bank in India's petroleum sector. The Bank loan will help finance a $571 million project which includes the construction of facilities t produce up to 140,000 barrels per day o oil and 2.2 million cubic metres of natura gas from the Bombay High and Bassei oil and gas fields. The two fields shoul yield up to 13 million tonnes of oils equi valent at maximum production. This wi be substituted for crude oil imports and i expected to bring India net foreig exchange savings of $16,000 million ove the next 20 years.

power sector

An IDA credit of $150 million is assis ing the construction of the first phase of 2,000 megawatt thermal power station Singrauli. India's installed power gen rating capacity, which at the end of 19 was a little more than 20,000 MW increased at an annual rate of 10 per ce over the 20-year period beginning 195 In recent years, however, demand has be considerably greater than available suppl India plans to instal additional capaci amounting to almost 30,000 MW by 198 In view of the immense task of providi sufficient generating capacity to meet t requirements of the economy, the gover ment of India proposes to supplement t efforts of the states by constructing number of large generating stations. T project being assisted by the IDA credit part of this effort.

The Bank and IDA have assisted ener development in India since 1950. In a the two institutions have provided sor $796 million for electric power generati and transmission and coal production.

In India, as in many developing cou ries, agriculture is clearly the pivo sector both for alleviation of poverty a the promotion of economic growth. T basic problem in India is that despite t record foodgrain crop in 1975-76 and t good crop 1976-77 the long-term grow rate of foodgrain production has be low, at about 2.5 per cent per ann over the last 17 years, and only t per cent in the last 10 years. In t connection, it is important to reme ber that on an average foodgrain p

duction in India has been adequate to meet 95 per cent to 97 per cent of national demand—declining to about 90 per cent in years of poor monsoon and reaching 100 per cent in good years. There is considerable scope for stepping up growth by increasing the use of inputs and by raising the productivity of existing capacity.

Bank assistance during the year was directed towards helping India to increase agricultural production and productivity. A million farmers will benefit from a project being supported by an IDA credit of $200 million to the Agricultural Refinance and Development Corporation (ARDC). It will support ARDC's investment programme involving a total of $583 million. The IDA credit will assist ARDC in providing loans to farmers for development purposes, mainly minor irrigation; but also for development of tree crops, dairy and poultry, sericulture, fisheries and several other agricultural activities. About $100 million of the credit will be reserved for small farmers who will qualify for preferential borrowing terms.

farm development

India's effort to increase agricultural production by strengthening agricultural extension and related research is being assisted by four IDA credits totalling $50 million. These projects, through reorganisation and improvements in agricultural extension, research and staff training seek o provide farmers in four states—Assam, Madhya Pradesh, Orissa and West Bengal —the means for sustained increases in roduction.

In Kerala, an IDA credit of $30 million financing an agricultural development roject to help small holder farmers. The roject will help improve the income of 5,000 farm families dependent on coconut, ubber, pepper, cashew and other tree ops.

The Bank and IDA are providing $18 illion—IDA a credit of $ 4 million nd the Bank loan of $14 million on conessional "Third Window" terms—for a oject to increase fisheries production in ujarat. India is one of the most proteinficient areas in the world. Consequently e country is placing increasing emphasis the development of fisheries. Apart om supplementing local diets, fishery development is also important for exports. India is presently the world's largest exporter of shrimps, which in 1975 contributed $140 million in foreign exchange. The project being assisted by the Bank and IDA is part of the effort to increase fisheries production.

An IDA credit of $23 million is helping the rehabilitation, modernisation and extension of an irrigation system in Tamil Nadu. The $45 million project is designed to minimise water losses in conveyance and operation of the Periyar-Vaigal irrigation system. Water savings will be used to introduce double irrigation and to bring new areas, presently rainfed, under irrigation for the first time.

Urban development in two cities—Bombay and Madras—is being assisted by $49 million from the Bank and IDA. An IDA credit of $24 million will help finance a project designed to improve urban services and employment opportunities for the poor in Madras, while a Bank loan of $25 million will help improvement of transport in the metropolitan region of Bombay. The Bank loan is assisting the improvement of the bus service in greater Bombay and in supporting development planning and traffic management in the Bombay metropolitan region.

A Bank loan of $80 million is assisting the expansion of the national telecommunication system. The project is designed to alleviate congestion in city and long-distance telephone networks, improve telex services and bring new telephone service to 220,000 subscribers.

The Bank annual report says: "Development in the South Asia region is handicapped by a heavy density of population in relation to cultivable land, an unfavourable natural resource endowment in substantial parts of the area, and a population which, for the most part, suffers from low levels of literacy and vocational skills, as well as poor health. Viewed against this background, the countries of the region have achieved much in the past 30 years: in several, food production has increased to keep pace with rapid population growth. (Recent statistics from the Population Council show, however, that there has been a 17 per cent reduction in India's crude birth rate during the period 1955-74), and considerable progress has been made in building up industry and developing the institutions of government needed to implement economic development."

"The economic progress made in fiscal 1976 largely continued during the past year—although at a somewhat reduced pace. Although growth rates were less buoyant than the year previous, it appears probable that overall growth in output of most of the countries of the region exceeded the growth of population for the second consecutive year," the report adds.

During the fiscal year 1977, the Bank and IDA committed a total of $7,067 million for development projects in some 74 countries. Of this total, $1,164 million went to six countries in South Asia—Bangladesh, Burma, India, Nepal, Pakistan and Sri Lanka.

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India exports soft drinks



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Inflation cuts value of World Bank lending

Inflation has eaten into the commitment value of the record World Bank lending during the fiscal year ending June 1977. Though the lending was $7,067 million in actual terms, discounting for the inflation during the year, it came to $ 6,586 million or $ 46 million below the fiscal 1976 amount.

THE WORLD Bank and its affiliates, the International Development Association (IDA) and the International Finance Corporation (IFC), approved loans and investments totalling more than $7,273 million to countries of the developing world in the fiscal year which ended June 30, 1977, according to the Bank's annual report. The commitments made were $396.1 million higher than in the previous year.

For the Bank and IDA alone, commitments for fiscal year 1977 increased by $434.4 million to $7,066.8 million. This increase was nominal only, the annual report notes. If inflation during the year were taken into account, the report adds, commitments were $6,586 million, or $46 million below fiscal 1976 amounts.

All the increase registered in fiscal 1977 lending came as a result of increased lending by the Bank. At $5,759 million, lending by the institution for fiscal 1977 was $782 million over the previous year.

lessened availability

Commitments by the International Development Association (IDA), at $1,308 million, were down by $348 million. The Bank's annual report explains the decrease as due to the lessened availability of IDA funds, virtually all of which had been exhausted by June 30, 1977. Since 1962, IDA's resources have been replenished at three-year intervals. When negotiations on a Fourth Replenishment were concluded in September 1973, commitments to IDA, which lends most of its funds to the poorest nations at no interest, totalled some $4,501 million. Primarily because of exchange rate fluctuations, however, IDA had funds available for the three-year period ended June 30, 1977 of only $4,151 million. (Fourth Replenishment contributions were pledged in terms of current US dollars; when the value of the dollar fell in relation to other currencies, the value of funds available to IDA also dropped.)

fifth replenishment

In March 1977, agreement was reached on a Fifth Replenishment of IDA resources for the three-year period beginning July 1, 1977. The replenishment level provides for total commitments of $7,638 million for the period, or some $2,546 million a year. The figure represents a 84 per cent increase, in nominal terms, over the funds available during the Fourth Replenishment. Some 20 donor countries are contributing to the Fifth Replenishment.

The IFC—its essential function is to assist the economic development of its member countries by promoting private sector growth—committed $206.7 million to 33 enterprises during the year.

Disbursements by both the Bank and IDA reached record highs in fiscal 1977. Bank disbursements, at $2,636 million, were up $166 million over fiscal 1976 totals; IDA disbursements, up by $46 million from fiscal 1976, amounted to $1,298 million. From the start of its operations in December 1945, Bank disbursements have totalled $22,247 million; IDA's aggregate disbursements have now reached almost $7,500 million. In the five-year period, June 30, 1972-June 30, 1977, IDA disbursed $4,780 million, or equal to nearly four times disbursements in the previous five-year period.

Gross revenues of the Bank amounted to $1,617 million, up by $287 million from fiscal 1976. Net revenues were at $209 million, down by $11 million from fiscal 1976. It was the twenty-ninth year in a row that the Bank has registered a net profit from its operations. The annual report states that the decline in profits was due largely to the steep rise of $293 million in expenditures, most of which was caused by a $279 million increase in interest and issuance costs on the Bank's borrowings.

Most of the Bank's net income is allocated to its reserves (which now total more than $1,700 million) and to the operations of IDA. Since 1964, some $1,125 million has been so allocated to IDA, making the Bank the fourth largest contributor to IDA's resources.

Borrowings totalled $4,721 million in fiscal 1977—or some $910 million above the record high of the year before. Of the total, $1,850 million was borrowed in the United States. The Bank also borrowed in the Federal Republic of Germany (16 issues), Switzerland (six issues), Saudi Arabia (four issues), Japan (one issue), and Yugoslavia (one issue) during the year.

principal source

The principal source of borrowed funds to the Bank in fiscal 1977 was the investment markets, on which the Bank sold 28 issues, totalling the equivalent of $3,545 million. Governments and central banks purchased $1,138 million of Bank issues during the year.

The Bank's authorised capital increased in fiscal 1977 by $8,444 million to $41,016 million by means of a selective capital increase. During the year, up to $8,340 million of selective increases in subscriptions to capital were allotted to

125 member countries of the Bank. The selective increase followed a long-standing policy of the Bank that when countries accept special increases in their quotas in the International Monetary Fund, they are expected to request special increases in their capital subscriptions in the World Bank. A resolution to increase quotas in the Fund was approved in March 1976.

Discussions by the Bank's executive directors during the current fiscal year (July 1, 1977—June 30, 1978) will take place on a General Capital Increase over and above that provided by the Selective Capital Increase, the annual report adds. A General Capital Increase would enable the Bank to increase its lending in real terms. Currently, the Bank is able to sustain for the indefinite future, a level of lending of about $5,800 million.

The discussions will initially concentrate on the future role of the Bank and on the range of financial options which may be needed to support that role, the report goes on to say.

"The discussions will be set against the background of significant changes in the size, regional distribution, sectoral composition, and character of the Bank's operations," the report notes. It adds that before fiscal 1977 ended, the Bank's executive directors decided to set the institution's level of lending for fiscal 1978 at $6,100 million. They also agreed to make their best efforts to reach an agreement by June 30, 1978 for concluding their negotiations on the Bank's General Capital Increase.

The change in the character of the Bank's operations can be noted by the fact that in fiscal 1977, the Bank and IDA committed a total of $2,172.5 million to the poorest of the developing countries—those whose inhabitants have annual per capita incomes of less than $265. Eighteen per cent of Bank commitments—$1.041 million—were to such countries (they number more than 50). Of total IDA commitments, 87 per cent—$1,131.5 million—were to these poorest countries.

In fiscal 1977, the agriculture and rural development sector received more Bank and IDA assistance than any other. A total of 84 projects, for a total lending volume of $2,308 million—or 33 per cent of total Bank and IDA commitments—were directed to these sectors. Lending in what are known as the "traditional" sectors—power, transportation, and telecommunications—amounted to $2,139 million, or 30 per cent of total lending. In fiscal 1976, lending in those sectors amounted to 36 per cent of the total.

World Bank accelerates assistance to rural poor

Eighty-four agricultural and rural development projects all over the world were approved by the World Bank and its affiliate, the IDA, during the past year. This is the third year in succession when the Bank's assistance has gone mostly to the aid of the agricultural sector.

AS MANY as 30 million rural poor may benefit from agriculture and rural development projects assisted with World Bank funds in fiscal year 1977, according to the Bank's annual report. The report, emphasising the importance of agriculture to the developing countries, concludes that increased agricultural production helped many of them survive the recession of the mid-1970s. Agriculture, the report contends, still is the key to improving the living standards of the world's poorest people.

Eightyfour agricultural and rural development projects were approved by the World Bank and its affiliate, the International Development Association (IDA), during the past year — the third year in succession in which the agricultural sector accounted for most of the Bank and IDA assistance.

The total number of direct beneficiaries of Bank-supported projects in this sector during that three-year period, fiscal 1975-77, may number as many as 60 million, the annual report adds.

Rural development projects are defined by the Bank as those in which more than half the direct benefits are expected to accrue to the rural poor.

The Bank's rural development strategy was set in motion in September 1973, when the Bank president, Robert S. McNamara called for a target of five per cent growth in productivity on small farms by 1985. For the Bank, he set a goal of bringing improved technology and other inputs to over 100 million small farmers over the same time span.

In his September 1973 speech, Mr McNamara said that neither the Bank, nor anyone else, had very clear answers on how to introduce improvements to the rural poor. "If some of the experiments fail," he said, "we will have to learn from them and start anew."

The Bank's 1977 annual report, though acknowledging that "rural development is no easy task," and that the Bank "has still much to learn from its problems as well as its successes," concludes, however, that the start made in the sector has been a promising one.

"It is possible to design projects that will assist large numbers of the rural poor to expand production and increase their incomes," the report states.

Bank and IDA lending for agriculture and rural development in the four years following Mr McNamara's speech has totalled almost $6,750 million. In fiscal year 1977 alone, lending in this sector amounted to $2,307.9 million. Significantly 61 per cent of the 1977 total was earmarked for rural development, as compared with 50 per cent in 1976 and 5 per cent in 1975.

Agricultural productivity is still clearly the key to improving the living standard

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of the bulk of the poor in the developing world, the annual report concludes.

Indeed, the report adds, it was increases in agricultural production that helped the poorest developing countries from being overcome by the economic fluctuations of the mid-1970s. Increased production was not merely due to better weather conditions, the report notes; productive investment made in the agriculture sector was an "overriding" factor in helping many of the poorest countries ride out the recession years of 1975 and 1976.

The annual report goes on to say that the hgher-income developing countries, in general, had higher growth rates than the rich countries during those same years. They were able to sustain their momentum of growth during the mid-1970s through a combination of internal adjustments in fiscal, monetary, or price policies, and by borrowing heavily from private sources. And the report continues, "Policy adjustments launched in response to the mid-decade recession may well prove, for many, to be a springboard for continued growth in the future—if combined with improvements in economic management."

But for the poorest countries—and in them live more than 800 million people—growth remains so slow that poverty cannot be alleviated, much less eradicated, unless greater efforts by the poor, as well as rich countries, are made, the report warns.

grip of poverty

Those poorest countries cannot break the grip of poverty by themselves, however, the Bank's annual report goes on to say. The rich, industrialised countries can help, the report concludes, by prudent management of their economies, through imports of goods from the developing world, by providing aid flows on concessional terms, and through access to their capital markets.

Aid on concessional terms declined in real terms in calendar year 1976. From preliminary statistics provided by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development, a appears that concessional assistance (ODA — Official Development Assistance) totalled $13,741 million during the year—a one per cent rise in dollar terms. A third member of DAC (a committee composed of 17 industrialised countries of North America, Europe and the Pacific, plus the European Communities) — Norway—reached the target of providing the equivalent of 0.7 per cent of its Gross National Product (GNP) in the form of ODA. Sweden and the Netherlands are the other two countries to have reached the target.

The DAC statistics also note that aid flows from the members of the Organization of Petroleum-Exporting Countries (OPEC) fell slightly in 1976 from their 1975 high. Net disbursements by OPEC members amounted to approximately $7,500 million in 1976, about $580 million less than in 1975. Disbursement figures for OPEC members include both concessional and non-concessional resources. In 1976 approximately 68 per cent of net disbursements from OPEC members were on concessionary terms.

soft-term loans

Commitments of assistance by the Bank and IDA—an affiliate of the Bank, which lands money to the poorest countries on "soft terms" — increased by some $434 million during fiscal 1977. And, the annual report states, discussions will be taking place during fiscal 1978 among the Bank's executive directors on a general capital increase so as to permit the Bank to increase its lending in real terms. Those discussions, the report says, will initially concentrate on the future role of the Bank and on the range of financial options which may be needed to support that role.

The Bank's 20 executive directors decided, before fiscal year 1977 drew to a close, to set the Bank's lending level for fiscal year 1978 at $6,100 million, and to make their best efforts to reach an agreement by June 30, 1978, for concluding their negotiations on a general capital increase.

The growth of external debt of some 84 developing countries in calendar 1975 was at about the same rate as in 1974, according to the Bank's annual report. At the end of 1975, the total of debt outstanding and disbursed of these countries was $120,982 million, or an increase of some 21 per cent over 1974. Total debt, including undisbursed balances, stood at $173,912 million at the end of 1975, or some $26,168 million (18 per cent) over 1974.

net borrowing

Net borrowing in 1975 was $23,705 million, or an increase over 1974 of $8,470 million. "As in 1974," the report notes, the "increase reflected a rise in the borrowing countries' balance of payments deficit on current account, as well as inflation."

According to the Bank's report, the current account surplus of nine reporting oil-exporting countries (Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Nigeria, Trinidad, and Tobago, and Venezuela) declined sharply in 1975 over 1974 levels. "By the end of 1975," the report continues, "it was evident that some of these countries, particularly the larger and poorer of them, for example, Indonesia, would not be, in the near future, in a position radically different from many other developing countries."

(The World Bank's annual report for the fiscal year 1977 is published in English, French, German, Japanese, Spanish and Arabic. The joint annual meetings of the World Bank and the International Monetary Fund will open in Washington on Monday, September 26.)

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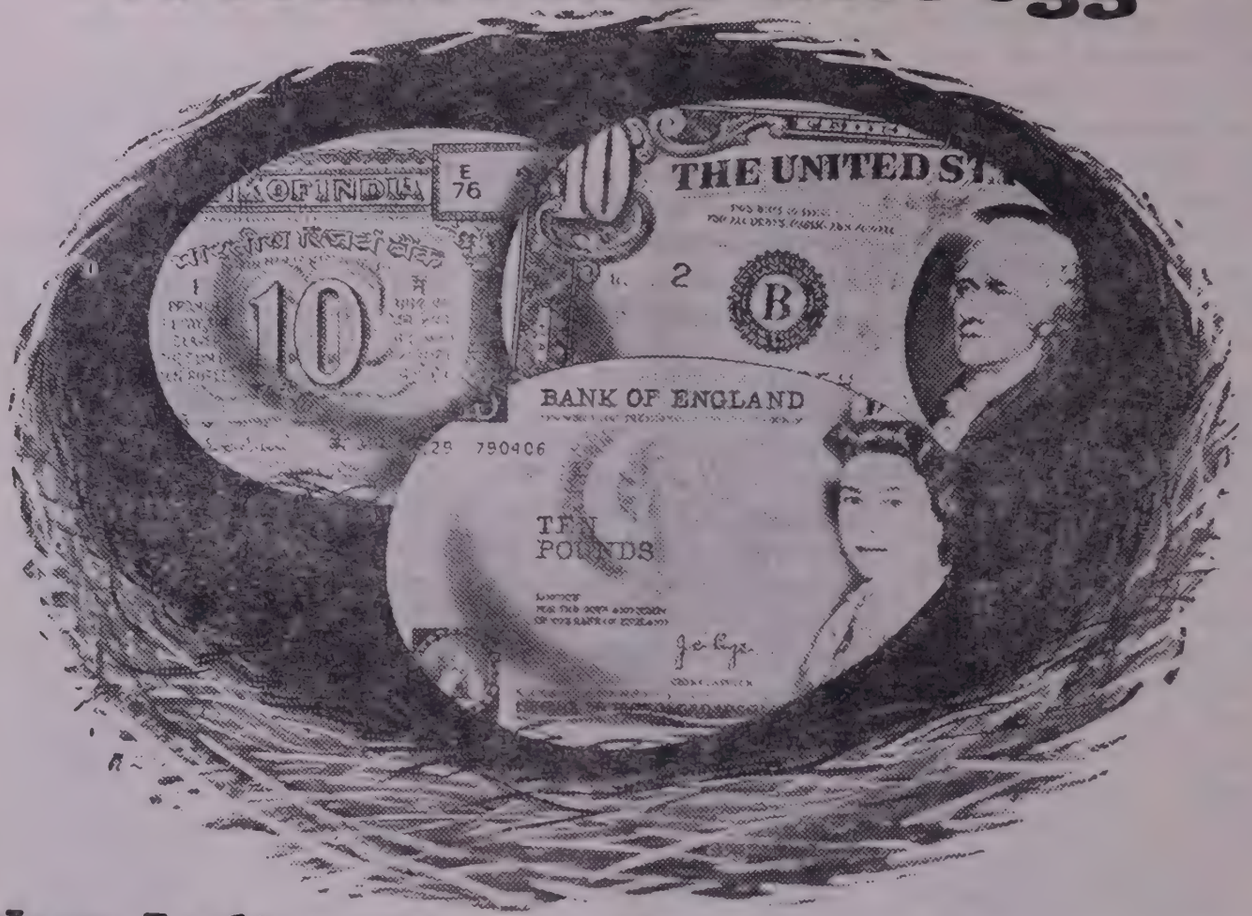
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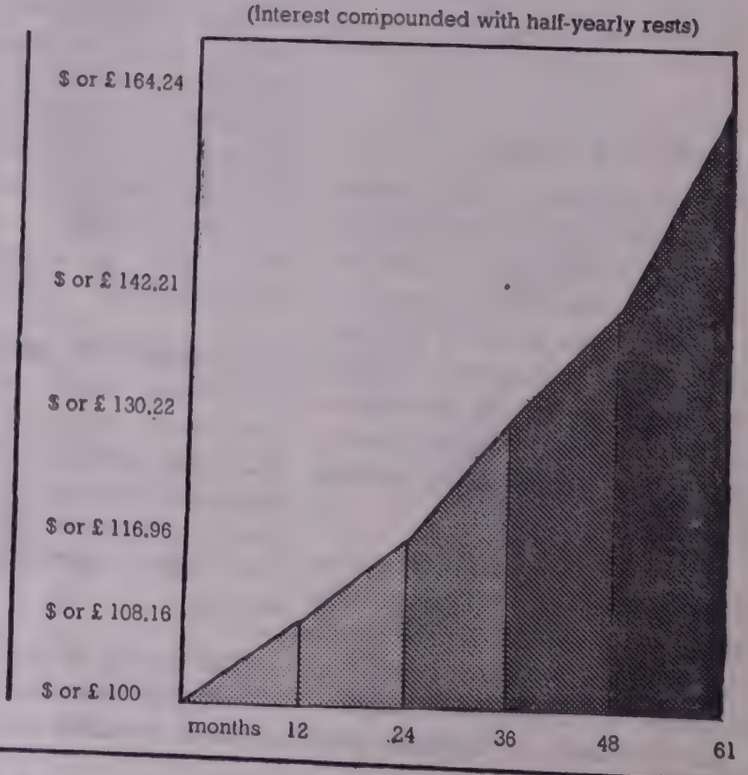
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Mrs Gandhi is no longer

on the come-back trail. She has arrived. The popular response which her appearances have been evoking in recent days is sure enough evidence of this. It would be dangerous to dismiss or belittle this development by arguing that the crowds might have been stage-managed. It was obvious that most of the people who had jam-packed the Kamani Auditorium in the capital on September 14, when she delivered the Krishna Menon memorial lecture, were genuinely interested in listening to what she had to say about the present political situation on her first public appearance in New Delhi after the Lok Sabha election. Not only was a large part of the audience plainly enthusiastic about her, but having come to cheer, it stayed and cheered till it was hoarse. A number of cheer leaders were around, no doubt; their exertions, however, were not really needed.

The ex-prime minister has, in so many words, dared the Janata government to arrest her. Some of us may think that this was in the nature of a desperate ploy. But most of those who heard her seem to have come away with the impression that she was throwing the gauntlet. In any case, in the game of survival—and, by "survival", I do not mean only political survival—Mrs Gandhi has now seized the initiative. That September 15, which Dame Rumour had put down in her diary as D-day, has come and gone without a hair of the silver-grey patch on Mrs Gandhi's head being touched has served to strengthen the feeling that Mrs Gandhi is running no undue risk in attempting to call what she may regard as Mr Charan Singh's bluff. If things go on like this much longer the moment must arrive when the Congress party is found to be more united behind Mrs Gandhi than the Janata party is behind Mr Morarji Desai. Already there is much tragic irony in a situation in which Mr Desai finds it necessary to express publicly his concern over the destructive groupism in the Janata party even as congressmen in UP are begging Mrs Gandhi to nominate their PCC president. Mr Ashok Mehta, I am afraid, is getting his political arithmetic wrong. Mrs Gandhi, I agree, may not be able to sell again the notion that Indira is India. But, then, she does not need to, seeing that it should be enough for her present purposes if she succeeds in selling the idea that India needs Indira. She may not find this calling for too much of a hard sell.

Meanwhile, in Pakistan,

Mr Bhutto is behind bars and facing a court martial, and, nearer home, Mrs Nandini Satpathy is on bail. Sundry officials, who have had associations with the New Delhi Municipal Committee, have in the last few days been suspended on their having been charged with criminal conduct during the emergency. Pressure on Mr P.C. Sethi to make a clean breast of wrong doing in high places reportedly continues. Even the elusive Mr V.C. Shukla has been confronted with contempt of court proceedings which might help in the exposure of the first major flaw in his protective colouration. All this makes two points. The first is: where there is a will there is a way—ask Mr Bhutto or Mrs Satpathy. The second is: there are more ways of killing a cat than by skinning it—to this the rest will testify. Which leads us to the million-dollar question why Mrs Gandhi should continue to be allowed a run for her money, especially when there is every sign that she may run away with it.

If somebody were to ask me to name the Janata leaders who, since becoming cabinet ministers in the present central government, have so far not granted themselves a foreign tour, the only name that occurs to me immediately is that of the Home minister. It does take a little thinking to add to it. Mr Charan Singh's interests, of course, are overwhelmingly domestic. I do not think that he will ever be a great foreign traveller. He may not have the talent and he certainly does not seem to have the inclination. As for the other cabinet ministers, who have not made use of their passports since joining the cabinet, I dare say that many of them will soon be making good the omission, probably before the next session of parliament begins. At least one minister, Mr Brijlal Verma has not exactly been lucky in the experiences attendant on his homecoming from his recent trip abroad. He could claim however that he has made Surinam a household word in our country. He has also the additional consolation that the prime minister has publicly sympathized with him for having become, according to Mr Desai, the favourite target of irreverent newsmen.

The irrepressible Mr Raj

Narain, of course, is hard to put down. If any of us were to ask him what public purpose his trip to the UK is supposed to have served I have no doubt that he would have half-a-dozen answers ready, quoting chapter and verse from the Ramayana or the Mahabharata. One of those answers could be that he had put in his place Mr B.K. Nehru, our lame-duck High Commissioner in London, after the latter had tried to cut him down to size by not receiving him at the airport. Finally, there is Mr Sikandar Bakht. I am glad to find that the official announcement does not claim that he is going abroad to acquaint himself with housing policies in other countries. The justification offered is more straightforward. He would be touring west Asia as the government's special envoy. I hope Mr Sikandar Bakht is not superstitious. Mr Mohammed Yunus, it would be recalled, was given a similar assignment during the emergency by the then prime minister. Incidentally, is it not communalism in reverse to reserve to Indian Muslims diplomatic assignments having to do with Muslim countries? I have a feeling that these countries themselves have now developed a more mature attitude and they will assess India's envoys or emissaries more by their standing in the government or public life than by their religious affiliations.

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TRADE WINDS

TELCO Exports

AGAINST WORLD-WIDE competition, Tata Engineering and Locomotive Co Ltd has concluded the country's biggest ever export order for commercial vehicles with the government of Uganda. The total value of the contract is approximately Rs 25 crores (US$ 29.76 million). Under this contract, TELCO will be supplying to the government of Uganda, 1500 completely built TATA vehicles in various executions and spare parts, over the next three years. The contract was signed in Kampala by Brig. Moses Ali, DSO, MC (psc), minister of Finance on behalf of the government of Uganda and Mr K. H. Mansukhani, Sales Manager (Exports), on behalf of TELCO.

The contract envisages providing technical assistance to the government of Uganda for the efficient operation and maintenance of TATA vehicles. The technical assistance offered by TELCO includes training Ugandan's at TELCO's manufacturing units at Jamshedpur and Poona as also stationing of service personnel in Uganda. The after-sales-service in Uganda will be further strengthened by supplying two fully equipped mobile service vans. These service vans, manned by TELCO's specialists, would provide timely service facilities for TATA vehicles operating in the remote areas of Uganda. It is expected that the accent on providing comprehensive technical assistance to their customers would have far-reaching impact on TELCO's endeavours in marketing TATA vehicles in the neighbouring countries.

During the year 1976-77, exports of TELCO amounted to over Rs 23 crores and the present order book is satisfactory. One of the major constraints TELCO anticipates in achieving the export target of Rs 30 crores and more during the current financial year will be availability of shipping space, particularly to East and West African ports.

Railway Freight Study Panel

Dr H.K. Paranjpe has been appointed chairman of the expert committee to study the present freight and fare structure in the Indian railways and make suitable recommendations for its rationalisation. This was anounced by Railway minister, Mr Madhu Dandavate at a press conference recently. Besides the chairman, the committee will have two more members. They are Mr K.T. Mirchandani and Mr V.K. Sthanunathan. Mr Vinod Pal will act as the secretary of the committee. Mr Dandavate pointed out that the present freight structure is based on the recommendations of the Ramaswamy Mudaliar committee, which submitted its report in 1955-57. Since many far-reaching changes have taken place in the country's economy, there has been a public demand for the re-examination of the entire freight structure of the Indian railways. As no thoroughgoing study had been made by any independent body as regards passenger fares and rates it was felt necessary to make an in-depth study. The committee will review the existing structure of freight rates for goods, passenger fares, etc, bearing in mind the interest of the common man, requirements of the economy and financial viability of the railways.

Parliamentary Report on Jute Industry

All aspects of the jute industry such as fibre production, fair price to the grower, marketing and export promotion and the pricing and sale procedure, research and development and the working of the Jute Corporation of India, will be examined by the parliamentary committee on public undertakings, headed by Mr Jyotirmoy Basu, MP. Mr M. Kamalanathan convener of the committee, who held discussions with jute growers of Sahara district on their problems as well as those of the jute industry, pointed out that the industry with a turnover of Rs 500 crores a year and substantial earning of foreign exchange was facing various difficulties and required a closer look. The committee would submit its report along with its recommendations for improvement of the industry.

Central Loan

The union government announced the issue of three loans aggregating to Rs 450 crores. The three loans are—(i) 6 per cent loan 1993 (fourth issue) to be issued at Rs 99.50 per cent and repayable at par on July 26, 1993; (ii) 6.25 per cent loan, 1998, to be issued at Rs 100 per cent and repayable at par on October 1, 1998 and (iii) 6.50 per cent loan 2005 to be issued at Rs 100 per cent and repayable at par October 1, 2005. Subscriptio to the loans will be received way of cash or cheque or sec ritites of 4.50 per cent lo 1977. The oustanding balan of 4.50 per cent loan 1977 repayable at par on Octob 15. No interest will accrue it from that day. Holders the securities pertaining to 4. per cent loan 1977 may tend their securities for conversio into new loans being floate

Those who wish to encas their security can do so at publ debt offices, treasuries or bra ches of the State Bank of Ind or its associate banks on before October 5, 1977.

Subscription to the thre loans being floated will be r ceived from October 1 to (both days inclusive) but th lists may be closed earli without notice as soon as th total subscription amounts t Rs 450 crores. The governmen reserves the right to retai subscriptions up to 10 per cen in excess of the notified amoun If the total subscriptions receiv ed for the loans exceed the not fied figure plus the amount o 10 per cent retainable, partia allotment will be made in res pect of the cash subscription received and the balance refund ed in cash as soon as poss ble.

In the case of six per cen loan 1993 (fourth issue), interes for the period October 1, 197 to January 25, 1978 will be pai on January 25, 1978 and there after interest will be paid half yearly on July 26 and Januar 25. Interest on 6.50 per cent loa 1998 and 6.50 per cent loan 200 will be paid half-yearly on Apr 1 and October 1. Interest o the securities of 4.50 per cen loan 1977 tendered for conver sion will be paid at the rate o 4.50 per cent per annum up t

and inclusive of September 30, 1977 at the time of the issue of the new securities. Interest on all the loans now issued together with interest on other income from other approved investments will be exempt from income-tax subject to a limit of Rs 3,000 a year and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in government securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the wealth tax up to Rs 150,600.

Foodgrains Prices

The centre has asked the state governments to reduce the taxes on foodgrains all along the line so that the margin between the procurement price and the final price to the consumer is curtailed to the minimum of Rs 8 per quintal. A conference of chief ministers is being convened to consider the withdrawal of existing restrictions on the movement of rice. Union minister of Agriculture, Mr Surjit Singh Barnala disclosed this to the all-India Conference of Foodgrain Dealers Association. The minister added that the policy of free movement of wheat had failed because the trade had not cooperated in supplementing the government's efforts in the distribution of foodgrains to deficit areas. The minister also disclosed that the centre has issued instructions to the state governments to place orders for whatever quantities of wheat straight on the Food Corporation of India without waiting for any formal allocation by the ministry. With comfortable foodgrain buffer stock of 19.5 million tonnes, the centre has also asked the states to extend the public distribution system for all rural areas not covered until now. He said the government was also committed to give whatever quantities of foodgrains required for "food for work" programme. He also announced that the centre was proposing to fix incentive price for important pulses like gram. The idea was not to allow quality to suffer with the increase in production.

Indian Restaurant in Moscow

An Indian restaurant opened in Moscow on September 16 as part of a festival of arts and culture. The festival, which will last a fortnight, has been organised by the governments of India and USSR to mark the 30th anniversary of India's independence and the 60th anniversary of the October Revolution. The Indian restaurant, to be run by India Tourism Development Corporation will offer Mughalai delicacies, tandoori and vegetarian specialities as well as Indian bread and sweets. There will also be demonstrations of Indian cooking.

Equity Dilution and IBM

A final decision to ask International Business Machines (IBM) to dilute its equity to 40 per cent to conform to the Foreign Exchange Regulation Act (FERA) was taken on September 9. FERA committee is believed to have taken this decision following a categorical directive from prime minister, Morarji Desai. FERA committee sources indicated that IBM may meet the same fate as the Coca Cola. Mr Desai had firmly indicated that IBM need not be given any special concessions or consideration or exception whatsoever beyond what the standard FERA guidelines prescribed for all other foreign companies. The FERA committee had already taken a decision as early as September 1976—a year ago—asking IBM to convert themselves into an Indian company and take in at least 60 per cent of the Indian equity participation.

The Reserve Bank is understood to have served an ultimatum to nearly 100 multinational companies to dilute their equity to conform to FERA within two months or face drastic steps including suspension of profit remittance facilities. After repeated directives and reminders, the Reserve Bank has now threatened them with punitive measures under Section 50 and 56 of FERA. Similar steps had been taken by the Bank in the case of sterling tea companies to hasten their Indianisation.

IDA Credit for Orissa

The International Development Association (IDA), an affiliate of the World Bank, has approved a credit of US$ 58 million for an irrigation project in the state of Orissa. The US $116 million project will help to utilise the numerous small rivers in Orissa for providing irrigation to about 66,000 hectares throughout the state. It will also improve water use efficiency in three existing major irrigation schemes in the state. It includes about 15 medium-scale irrigation works, development of the command areas of three existing major irrigation systems (land consolidation) and on-farm development). At full development, the project will help increase foodgrain production by 110,000 tonnes a year and generate about 43,000 additional full time jobs in farm and non-farm sectors. The increased foodgrain production is valued at US $20 million annually. Net farm incomes will increase substantially. The IDA credit to the government of India is for 50 years, including 10 years of grace. It is interest free, except for service charge of 3/4 of one per cent to meet IDA's administrative costs.

World Bank on India

The World Bank has praised the Indian economy for continuing in the fiscal-year 1977 "its bright performance of last year." In its annual report, the Bank noted that early in the calendar year 1977, the best estimates were that the real Gross Domestc Product (GDP) might rise by about two per cent on top of its 8.8 per cent growth for 1976. Industrial production was also expected to grow by more than 10 per cent or twice the increase in 1976. This, the report said was the result of increasing domestic and export demand and generally adequate supplies of power. The report further pointed out that the country's trade balance also headed for a major improvement in 1977 because exports of manufactures increased considerably and, what was more, the total volume of exports was likely to grow by about 10 per cent. All this reflected the effect of policies of stimulation implemented last year. The report said that, because of a decline in the imports of food, fertilisers and fuel and the expected rise in the net receipts of invisibles, India should have a balance of payments surplus and an addition to foreign exchange reserves.

The report took account of the fact that inflation was of some concern again in India

but hoped that the large food-grain stock and the increased scope for imports resulting from large foreign exchange reserves and further liberalisation "should help counter a further upward pressure on prices." Observers do not remember another year when India was reported to have done so well. The report suggested that India's success should be attributed to generally favourable monsoons that resulted in good harvests which, in turn, provided the basis for continued industrial expansion and levels of export which were as large or larger, than in 1976.

IFC

The International Financial Corporation (IFC), a World Bank affiliate assisting the private sector in developing countries, approved loan and equity investments totalling $259 million in 34 enterprises in 20 countries during the fiscal year ended June 1977, an increase of $23 million over approvals in fiscal year 1976. IFC's actual commitments during the year totalled $206.7 million in 33 enterprises against the total project cost of $1,169 million. The total commitments of IFC, established in 1956, now stand at $1,712 million in 292 enterprises in 62 out of its 106 member-countries. Financing from other sources provided $7,262 million and brought the total cost of the projects assisted by IFC in the 21 years to $8,974 million.

India's share of IFC commitments so far is $58.40 million for 12 enterprises. In 1976.77, there was no loan or equity investment approval for any Indian enterprise.

The board of governors of IFC is now voting on an increase in the authorised capital stock of IFC from $110 to $650 million and a total of $480 million would be allocated for subscription. In the context of this increase, IFC's latest annual report states that the corporation's role as a development institution would be strengthened through assistance to both the private and the mixed sectors and a substantial expansion of activities in poorer countries, especially in Africa. IFC hopes to mobilise from commercial financial institutions an increasing flow of participation in its own investments and to channel funds through development banks in poorer countries in order to reach the smaller enterprises. IFC sees for itself a useful role in the mining and resource development area where lack of agreement between foreign investors and host countries could hold back long-term development potential. IFC has called for greater cooperation between foreign investors and developing countries on the basis of mutual trust to secure skills and technology for the developing country's economic progress.

Deep Sea Fishing

The government has proposed to add 200 deep-sea fishing trawlers to the existing trawler fleet in the course of the next two years. This follows the recent decision to launch an intensive programme for deep-sea fishing so as to tap a larger share of the country's marine fishery resources. According to official sources a fairly large-number of trawlers will be imported to meet the immediate requirements for the programme. Requisite steps are being taken to ensure the augmentation of indigenous trawler manufacturing capacity for self-reliance. The government has allowed the import of 60 deep-sea fishing trawlers during the current year from reputed shipyards in the world. The imported trawlers could be either new or second-hand. However, in the case of the latter it has been specified that such trawlers should not be more than five years old and should necessarily be covered by a certificate of seaworthiness by a recognised agency. Under the proposed programme of intensive deep-sea fishing the government has already invited fresh proposals for foreign collaboration to take advantage of the world's latest "know how" in augmenting the vast marine fishery resources. It is held that the Shipping Development Fund Committee would, after a scrutiny of the cases of import of trawlers, be willing to grant loans to the extent of 90 per cent of the cost of the vessels.

Finances of Medium and Large Companies

Although the year 1975-76 witnessed a growth in the volume of operations of the 1,650 selected medium and large public limited companies, albeit at a much slower pace than in the previous year, there was a setback in their profits and profitability, assets formation and liquidity. The value of production increased by 9.2 per cent from Rs 12,286 crores in 1974-75 to Rs 13,413 crores in 1975-76, and their sales by 11.5 per cent from Rs 11,811 crores to Rs 13,171 crores. With a higher rate of growth in sales than in value of production, there was a slowing down in the rate of accumulation of finished goods and work-in-progress from 34.7 per cent in 1974-75 to 13.1 per cent in 1975-76. In absolute terms, the stock of finished goods and work-in-progress increased by only Rs 241 crores in 1975-76, against Rs 475 crores in the previous year.

With the rate of growth in total expenditure (including interest charges) at 12.5 per cent outpacing that in total income (excluding non-operating surplus) by three percentage points, the operating profits suffered a sharp decline of 26.7 per cent from the record level of Rs 976 crores reached in 1974-75, and stood at Rs 715 crores in 1975-76. The decline was, however, offset to some extent by a rise of Rs 40 crores in non-operating surplus in 1975-76.

Decline in Profits

Despite this cushioning, profits before tax declined by 21.7 per cent, in contrast to the rise of 36.8 per cent in the previous year. Profits before tax, which had crossed the Rs 1,000-crores mark in 1974-75, declined to Rs 800 crores in 1975-76. The non-operating surplus had completely wiped off the operating loss in the case of at least 54 companies. Despite the large decline of over Rs 200 crores in pre-tax profits, tax provision was lower by only 5.4 per cent at Rs 472 crores (Rs 499 crores in 1974-75). Profit making companies had provided Rs 469 crores out of this. Tax provision absorbed a larger share of pre-tax profits (59 per cent) than in the previous year (49 per cent) and profits after tax declined to Rs 328 crores from Rs 522 crores in 1974-75.

With companies taking advantage of the relaxation of the restrictions on dividend declaration, which were in force in terms of Companies (Temporary and Restrictions on Dividends) Amendment Act, 1975, dividends declared increased from Rs 155 crores to Rs 188 crores. Dividends accounted for 57 per cent of post-tax profits against 30 per cent. Profits ploughed

back into business were slashed to Rs 140 crores from Rs 367 crores in 1974-75.

IMM-Bata Marketing Award

The first "IMM-Bata" marketing awards exclusively for small business concerns to promote the concept of marketing, will be given in January next year at the fifth national marketing convention. Any small business concern will be eligible and the selection will be done by an independent panel of judges chaired by Mr C. Puri, Additional Secretary, government of India and Development Commissioner, Small Scale Industry. In all there will be five awards including three silver runners-up awards. Particular emphasis will be given while judging the entries, to penetration of the rural and the international markets, and on the use of local raw materials, import substitution and modernisation.

Bank of America Branch

The Bank of America, a foreign bank operating in India, has opened its fourth branch in New Delhi on September 12. The bank's operations were so far limited only to three metropolitan towns—Bombay, Calcutta and Madras. Inaugurating the new branch in the capital, Mr David Artko, regional vice-president of the bank, stated that taking note of the substantial export potential of New Delhi and its industrial neighbourhood, the bank will accord top priority to extending specialised assitance to exporters. This would involve collection of information on overseas markets, identifying potential buyers of Indian goods making use of the bank's worldwide network and extending tailor-made banking facilities. He pointed out that another area which would receive immediate attention was deposit mobilisation. Substantial funds may still be brought within the organised banking fold and channelised into industrial productive uses. Mr Artko said that small personal savings would occupy an important place in the programme of deposit mobilisation.

Trade Fair in Manila

The Association of South East Asian Nations (ASEAN) will hold its first trade fair in Manila during the first half of next year. The fair will display commercial and industrial goods. It will be open to ASEAN participants as well as selected parties from Japan, Australia, New Zealand, the European Economic Community and North America interested in buying goods from the ASEAN. Those interested in making investment and setting up of joint ventures as well in the transfer of technology to ASEAN will also be invited. The fair is intended to familiarise ASEAN businessmen with the products of each country and to portray to non-ASEAN participants the potentials of ASEAN. It is also to give an opportunity to developed countreis to exhibit appropriate technology for possible transfer to ASEAN.

Buffer Stock for Consumer Goods

The practice of building buffer stocks of foodgrains to keep a check on prices may now be extended to other commodities, including consumer goods. Mr Krishna Kumar Goyal, union minister of state for Commerce, Civil Supplies and Cooperation stated recently that these buffer stocks would be positive instruments in the hands of the government to check prices and control distribution. Talking to newsmen recently he added that for this purpose the government may enforce procurement at fixed prices of consumer commodities like blades, butter, baby foods, etc. The government was considering the whole problem of setting up a permanent and effective distribution system for essential commodities. After considering all aspects a final policy may be announced shortly. The government, he added, was determined to evolve a system in which the consumer would not be at anybody's mercy. He stated that one of the proposals was that the government would adopt a dual pricing system for procurement of essential commodities to be distributed through fair price shops.

Land Reforms

A month-wise target for disposal of land ceiling cases has been suggested by the union minister for Agriculture and Irrigation, Mr Surjit Singh Barnala in order to ensure that the entire pendency of cases is liquidated by the end of the year. In a letter addressed to all chief ministers and Lt. Governors of states and union territories except Jammu and Kashmir and Manipur, Mr Surjit Singh Barnala has stressed the need for initiating an urgent drive in each state for the disposal of about 216,000 cases pending as on June 1, 1977. The letter adds that the government was extremely anxious that the pace of land reform was accelerated and that the implementation of land reforms measures was more vigorous than in the past. The first priority of the land reforms policy was to bring about a more equitable agrarian structure through a ceiling on holdings and allotment of ceiling-surplus lands to the weaker sections of the community particularly to the landless agricultural labourers belonging to the scheduled castes/tribes. The minister has observed that the progress in realising this objective has, unfortunately, been slow. On account of delay in disposal of ceiling cases, a large area which would be declared ceiling-surplus continues to be with the landlords. Our first priority should be expeditious disposal of ceiling cases.

Export Duty on Coffee Raised

The government has announced an increase of Rs 200 per quintal in the export duty on coffee on September 13. The duty increase takes immediate effect. A press release issued by the ministry of Finance says: Having regard to the increase in international prices of coffee since June last, the government has increased the rate of export duty from Rs 1100 per quintal to Rs 1300 per quintal with effect from September 13."

Names in the News

Mr S.P. Kapoor of Ludhiana has been elected chairman of the Wool and Woollens Export Promotion Council for 1977-78. The unanimous election of Mr Kapoor took place at the annual general meeting of the council held on September 14. **Mr C.B. Gupta** of Amritsar was re-elected the council's vice-chairman. According to a press release by the council, the Textile Commissioner, who was present at the meeting, congratulated members of the council on their export performance of Rs 109 crore during 1976-77.

COMPANY AFFAIRS

Tata Finlay

TATA FINALAY has declared a final equity dividend of 10 per cent for 1976 on the increased capital of Rs 6 crores as a result of the recent public issue of Rs 2.6 crores in 2,600,000 equity shares of Rs 10 each at par. In terms of the prospectus, the new shareholdere are entitled to the dividend for 1976. Sales amounted to Rs 45.98 crores in 1976 yielding a pre-tax profit of Rs 11.20 crores. After providing Rs 7.57 crores for taxation, the disposable profit was Rs 3.63 crores. The company had paid an interim dividend of 10 per cent on the old capital of Rs 3.28 crores, which had absorbed Rs 49.20 lakhs. Final dividends will absorb Rs 60 lakhs. The balance of Rs 2.54 crores has been transferred to general reserve.

The company has finalised the allotment of 2.6 million equity shares in consultation with the Bombay Stock Exchange authorities in view of the large number of applications received for between 50 and 350 shares it has been decided to draw lots for the purpose of determining the successful applicants in these categories. The minimum number of shares allotted is 50. Applicants for larger number of shares have been allotted at proportionately lower percentage of shares relative to those applied for. Thus, the weightage of allotment giving preference to smaller applicants has been maintained.

United Breweries

United Breweries has improved its sales for the year ended March 1977, (including exports of Rs 19.35 crores) to Rs 57.83 crores against Rs 50.16 crores (including exports of Rs 16.76 crores) in the previous year. After providing Rs 24.84 lakhs (Rs 19.68 lakhs) for depreciation, Rs 45.50 lakhs (Rs 25 lakhs) for taxation, there is a net profit of Rs 38.14 lakhs against Rs 27.12 lakhs. Equity dividend has been kept unchanged at 7.5 per cent for the year which will absorb Rs 15 lakhs. A sum of Rs 24.53 lakhs (Rs 16.46 lakhs has been transferred to general reserve. There has been an increase in both production and sales in the first four months of the current year.

Balmer Lawrie

Balmer Lawrie has shown a profit during the year ended March 1977, Rs 76.14 lakhs on sales and other income of Rs 20.20 crores against a profit of Rs 64.47 lakhs on sales and other income of Rs 23.82 crores in the preceding 15 months. Equity dividends has been stepped up to eight per cent for the year from five per cent for the previous 15-month period. After providing Rs 10.03 lakhs (Rs 13.24 lakhs) for depreciation and Rs 40.50 lakhs (Rs 34.73 lakhs) for taxation, there is a disposable surplus of Rs 25.61 lakhs as against Rs 16.50 lakhs. Equity dividend will absorb Rs 15.11 lakhs (Rs 9.44 lakhs) and the balance of Rs 10.50 lakhs (Rs 7.17 lakhs) has been transferred to general reserve for financing the new project and expansion of existing lines.

The directors state that R and D activity has been intensified for the development of several new products lines and improving the existing ones. The company exported 20,300 steel barrels during the year, mostly to the Gulf countries, and expects to export about 24,000 barrels during the current year. The construction of a barrel and can plant at Dubai is proceeding according to schedule. The government has approved the company's scheme to set up an export-oriented marine freight container unit at Cochin. Negotiations are in progress for obtaining the necessary know-how from a foreign collaborator.

Hindustan Wires

Hindustan Wires has reported sales of Rs 12.19 crores during the year ended March, 1977, against Rs 8.46 crores in 1975-76. The working has resulted in a gross profit of Rs 55.03 lakhs against the loss of Rs 17.16 lakhs in the previous year. After providing Rs 21.68 lakhs (Rs 20.37 lakhs) for depreciation, Rs 81,000 (nil) for investment allowance and Rs 4 lakhs (nil) for contingencies and after making some adjustments a sum of Rs 12 lakhs has been transferred to general reserve. Preference dividend for the three years 1974-75 to 1976-77 have been declared which will absorb Rs 9.12 lakhs. In view of the difficult liquidity position no equity dividend has been declared. Production at the Calcutta and Faridabad factories was adversely affected by severe power cuts and load sheddings and these continued in the current year. The demand for the company's products is picking up and the company hopes to do better in the current year than in 1976-77.

Clarion

Clarion Advertising Services Ltd has maintained the equity dividend of 20 per cent for the year ended March 1977 in spite of a 24 per cent rise in its revenue to Rs 643.42 lakhs. The net profit works out to Rs 12.03 lakhs, of which taxation absorbs Rs 10.50 lakhs. The dividend will absorb Rs 1 lakh and the balance of Rs 98,000 has been transferred to the general reserve.

Indian Organic

Indian Organic Chemicals, has recorded higher sales from the Khopoli unit, in the first four months of the current year (April-July), at Rs 2.44 crores against Rs 1.80 crores in the same period of the previous year. The improvement is mainly due to increased volume. The prices have tended to be lower than anticipated. The chairman of the company, Mr B.M. Ghia stated that the distillery project was not likely to be implemented because the state government had not agreed to reconsider the company's appeal against the cancellation of its letter of intent. Sales of polyester fibre in the first four months of the current year have, however, been substantially lower at Rs 8.45 crores against Rs 14.99 crores in the same period of 1976-77. During 1976-77, the company exported polyester blended materials worth Rs 60 lakhs and incurred inevitable losses.

It has to fulfil within 10 years an export obligation of Rs 4 crores spent initially in foreign exchange on capital equipment as well as import of raw material then unavailable. The chairman pointed out that the export obligation on the new polyester fibre units has always lacked justification. Now foreign fibre is being freely imported which demolishes even the last vestige of the case for imposition of an export obligation. The association of polyester staple fibre manufacturers has, therefore, urged the government for waiving the export obligation.

Maharashtra Scooters

Maharashtra Scooters, a joint sector project promoted by Western Maharashtra Development Corporation and Bajaj Auto, started commercial production in mid-August 1976. During the year ended June 1977, the company produced 14,584 scooters. Sales totalled Rs 5.25 crores yielding a gross profit of Rs 13.06 lakhs. After providing Rs 6.26 lakhs for depreciation, Rs 10 lakhs for investment allowance and after writing off preliminary expenses of Rs 7,895, there is a net loss of Rs 3.29 lakhs.

The company has licenced capacity of 24,000 scooters per annum. Technical know-how has been provided by Bajaj Auto. Booking of scooters commenced in August 1976 and orders for 62,188 scooters were pending at the end of June 1977. The manufacturing facilities for paint shop and assembly shop have been installed. The company proposes to commence assembly operations of engine, chassis and magnets in the current year. It hopes to produce over 24,000 scooters in the current year. It will enter the capital market before the end of this year to raise Rs 49 lakhs from the public to finance a part of the project.

East India Hotels

East India Hotels has reported a rise in sales during the year ended March 1977, by 17.2 per cent to Rs 17.65 crores from Rs 15.07 crores. The gross profit increased by 29 per cent to Rs 174.80 lakhs from Rs 135.75 lakhs. After providing Rs 80.80 lakhs (Rs 74.75 lakhs) for depreciation, there is a surplus of Rs 94 lakhs against Rs 61.21 lakhs. An equity dividend of 10 per cent against nil has been proposed which will absorb Rs 36.85 lakhs. A sum of Rs 48 lakhs (Rs 4 lakhs) has been transferred to general reserve.

The chairman, Mr M.S. Oberoi has stated that occupancy in the hotels has improved and he expects better results in the current year. He stated that 534,000 foreign visitors came to India in 1976 and in the first seven months of the current year visitor arrivals have been running 20 per cent higher than in the corresponding period last year.

Shree Vallabh Glass

Shree Vallabh Glass Works has shown during the year ended March 1977, a rise in turnover from Rs 8.14 crores to Rs 8.30 crores. The gross profit has registered an impressive increase from Rs 62.72 lakhs to Rs 81.10 lakhs. The board of directors has announced an equity dividend of Rs 15 per share of Rs 100. The company had skipped equity dividend for the previous year to conserve resources, but it had paid a dividend of Rs 12 a share for 1974-75.

Its sales for the first five months of the current year have aggregated Rs 5 crores and are expected to amount to Rs 12 crores to Rs 13 crores for the whole year. The company has made good progress on the export front, its total shipments for 1976-77 amounted to Rs 1.13 crores against Rs 36.92 lakhs in the previous year. Encouraged by this, it has set an export target of Rs 3 crores for the current year, the shipments for the first five months having already touched the level of Rs 1 crore. At the end of August, orders on hand stood at Rs 5 crores. The company has undertaken a massive expansion and diversification programme, involving a total capital expenditure of about Rs 9 crores within two to three years.

Terpene Industries

The results of Terpene Industries Ltd for the year ended June 30, 1977 show that the total sales during the year under review amounted to Rs 86.83 lakhs (previous year Rs 69.28 lakhs) which represent approximately 25.33 per cent increase compared to the previous year. The gross profit during the year was Rs 14.99 lakhs. After deducting depreciation of Rs 6.32 lakhs, there was a net profit of Rs 8.67 lakhs. This is set off against the previous year's loss of Rs 20.96 lakhs. In order to augment the availability of raw material required for the company, the directors have decided to instal a plant for processing of 2500 tonnes per annum of oleo-resin gum adjoining the existing plant. Necessary application for registration with Directorate General of Technical Development for manufacturing of rosin and turpentine is being made. The total cost of the new plant is estimated at around Rs 19 lakhs. The necessary loan application to finance part of the project cost has already been submitted to the financial institutions. All the required equipment for the new plant and the raw materials are indigenously available. The project is being implemented from the know-how supplied by M/s Camphor & Allied Products Ltd.

Chowgule Steamships

Chowgule Steamships proposes to issue shortly 3.5 million equity shares of Rs 10 each at par (Rs 3.50 crores). The issue is being made to reduce the percentage of the shareholding of the Chowgules and their associates and to provide a part of the finance for the expansion programme. The company's present fleet consists of five bulk carriers of 2,22,704 DWT. In addition, it also owns two trawlers. As part of its expansion programme, the company acquired one bulk carrier of 64,060 DWT in early 1976. It is acquiring two newly built bulk carriers, one of 84,000 DWT from a Japanese shipyard and another of 75,000 DWT from an Indian shipyard. With these acquisitions, the total tonnage will touch 381,704 DWT. The bulk carrier from the Japanese shipyard is scheduled to be in operation by April, 1978 and that from the Indian shipyard by April, 1981.

One of the conditions for the expansion programme was that the shareholding of the Chowgules and their associates should be brought down by the issue of fresh capital to the Indian public to 60 per cent within one and a half years and further to 40 per cent within two and a half years from November 4, 1977. After the proposed issue, the shareholding of the Chowgules and their associates will stand reduced to about 54.34 per cent

of the enhanced equity capital. For the year ended March, 1977, the company has already declared an equity dividend of 10 per cent against 20 per cent paid for the previous year. The company has earned a lower gross profit of Rs 2.61 crores against Rs 2.68 crores in the previous year, despite the increase in the freight and charter hire receipts to Rs 13.60 crores from Rs 11.36 crores.

Elgi Equipment

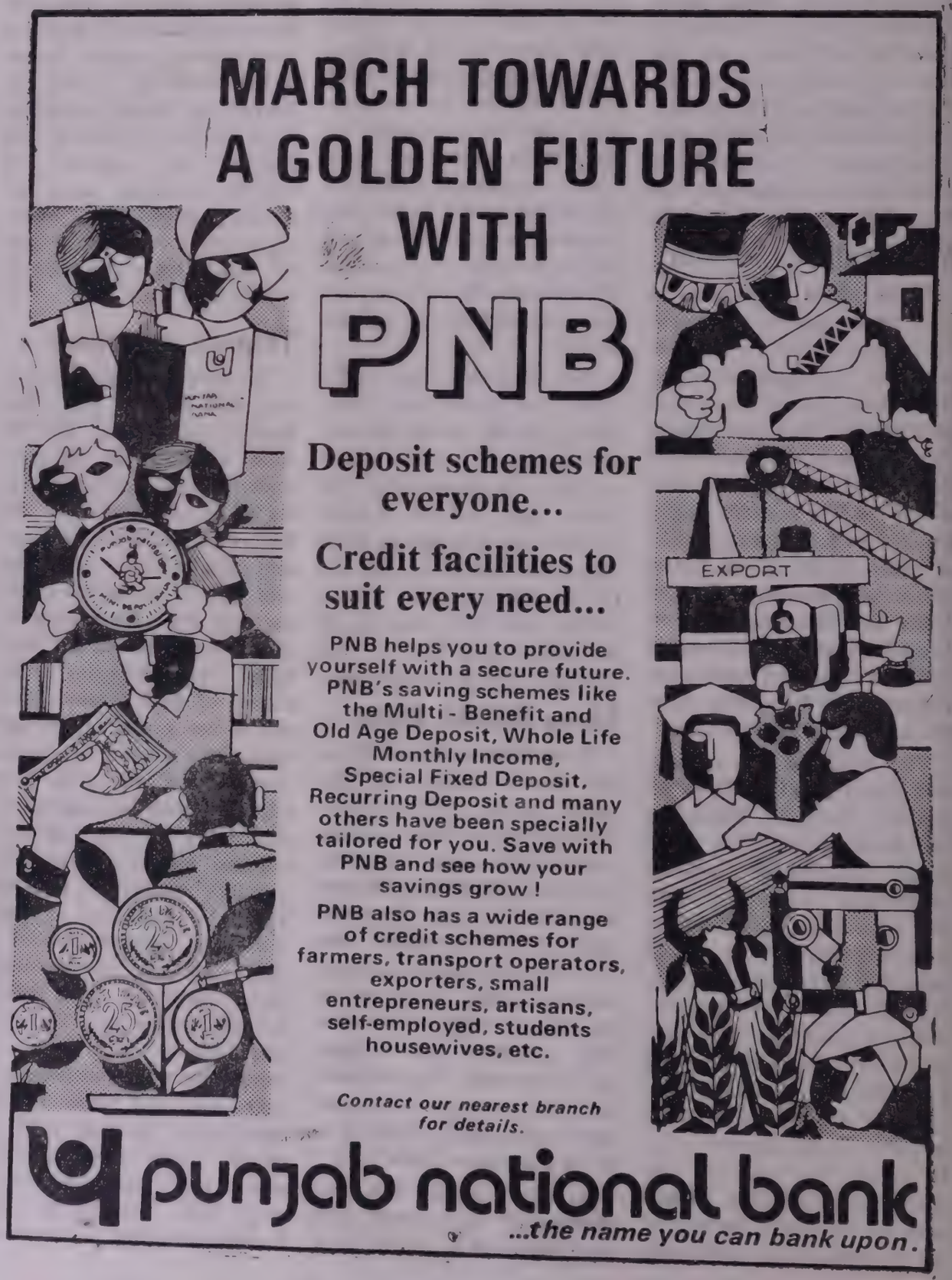
Elgi Equipment has recorded, during the year ended March 1977, a gross profit of Rs 27.73 lakhs against Rs 22.59 lakhs in the previous year. Equity dividend has been raised to 18 per cent from 16 per cent. After providing Rs 3.03 lakhs (Rs 2.31 lakhs) for depreciation Rs 14.31 lakhs for taxation and making other adjustments, there is a surplus of Rs 10.16 lakhs, of which Rs 7.91 lakhs have been transferred to general reserve.

Indian Tool

The Indian Tool Manufacturers has recorded improved performance during the year ended March, 1977. Sales have increased from Rs 6.08 crores in 1975-76 to Rs 6.50 crores in 1976-77 and the gross profit from Rs 75.88 lakhs to Rs 76.11 lakhs. After provisions and adjustments, the disposable surplus is Rs 32.17 lakhs (Rs 37.93 lakhs). Equity dividend has been raised from 10 per cent to 12.5 per cent. Equity and preference dividends will absorb Rs 10.38 (Rs 9.82 lakhs). General reserve gets Rs 21.78 lakhs. Exports rose by 21 per cent over the previous year's level. The working of the cutters, reamers and taps project at Nasik and gear hobs projects at Aurangabad has been statisfactory. The proposal to implement the hand tool project at Aurangabad has been dropped in view of the uncertain market situation both at home and abroad.

Ramon & Demm

The sales of Ramon & Demm Ltd during the year under review was Rs 2.89 crores as against Rs 3.00 crores during the last year. The production during the year 1976-77 was 818 tonnes as against 784 tonnes in 1975-76. Despite the fall in sales to the extent of Rs 11 lakhs, the company's working during the year under review had been better as compared to last year. During the year the company made a gross profit of Rs 19 lakhs as against Rs 9 lakhs during the last year before making provision for depreciation. The company incurred a loss of Rs 3 lakhs as against Rs 17 lakhs in the last year after making provision for the depreciation.



Due to this the company has skipped the dividend this year.

The company has gone far ahead in implementing the expansion project involving doubling of the existing plant capacity. The financial institutions have released additional funds of Rs 95 lakhs during the year and the expansion project is to commence production of crown wheel and pinion very shortly. With a view to diversify the product range to meet export requirements and to utilise the increased production capacity, the company has developed a few more new products to be manufactured in the near future.

Indianoil

Mr C.R. Das Gupta, chairman, Indian Oil Corporation Ltd stated recently that a sales turnover of Rs 2,663 crores during 1976-77 was registered leading to a record profit of Rs 106.33 crores before tax. The net profit of the corporation, after depreciation, interest and tax provision and other adjustment, worked out to Rs 48.41 crores as against Rs 29.91 crores in 1975-76. The improved profitability, chairman explained, was largely due to the increase in production and sales, improvement in product pattern, upward revision in the sale price of a product under an arbitration award and reduction in the working capital and inventories. He, however, expressed apprehension that the decision based on the final recommendations of the Oil Pricing Committee could substantially reduce the profitability of Indianoil in future years.

The corporation has declared a dividend amounting to Rs 7.13 crores which represents the highest dividend paid by a public sector corporation on the paid up capital. Over the year, the corporation has made substantial progress and has increased its net worth to Rs 273 crores in 1976-77, whereas the subscribed capital is only Rs 82.1 crores and the loans from the government sources amount to Rs 38.81 crores.

Change in Sales Plan

Indianoil has increased its sales from 18.51 million kilo litres to 19.50 million kilo litres representing a market participation of 62.9 per cent. He added that almost 98 per cent of the oil industry had now come under the purview of the public sector. In the changed situation, oil companies will have to function as partners in the national efforts towards economic progress and the competition between the oil companies is now to be solely motivated by the desire of serving the better interest of the consumers. Indianoil had fully supported the governments' efforts to de-link sales of the oil companies from the product availability. Under the annual sales plan formulated by the government providing for a more rapid growth in sales volume of smaller companies, Indianoil registered a growth of only 5.35 per cent as against the industry's growth rate of 7.8 per cent over the previous year.

News and Notes

A branch of **Indian Overseas Bank (IOB)**, one of India's fastest growing public sector banks was opened at Seoul, Republic of Korea on September 19, 1977. This is the first ever office of an Indian bank to be set up in the Republic of Korea. This office was inaugurated by Mr Kim Yong Hwan, Finance minister of Korea in the presence of Mr S.M. Aga, Ambassador of India in Seoul. Seoul branch will be the tenth overseas office of IOB in the East Asian region; the other branches are in Hong Kong (7), Singapore (1) and Sri Lanka (1). Indo-Korean trade has been growing at a fast pace in recent years. And the scope for further expansion is immense.

Mohan Meakin Breweries has extended collaboration to Bhutan for cultivation of hops. A kiln has also been installed in Kashmir by the company to process green hops as area under the crop has been increased following successful experiments on hops cultivation in Kashmir and Himachal Pradesh. It has started a survey of the existing plant and machinery which has become old and needs renovation. The company is hopeful of receiving COB licence shortly in respect of a distillery at Solan. The directors are planning to expand the fruit and vegetable processing factory at Mohan Nagar under its diversification plans.

Final negotitaions with AGROS of Poland are to take place in mid-September for setting up a joint venture project in India for the manufacture of spirit and Vodka and for putting up a fruit and vegetable processing plant. Sales in the first five months (April-July) of the current year are higher by five per cent than in the corresponding period of 1976-77.

New Issues

Atul Chemical Industries, at present a 100 per cent foreign company, proposes to issue to Indian residents 920,000 equity shares of Rs 10 each at par some time in November or December. The object of the issue is to dilute the foreign shareholding to 49 per cent. Steps will be taken thereafter to reduce the foreign shareholding by further nine per cent and for this purpose, a suitable representation is being made to the Reserve Bank of India and the Controller of Capital Issues. As a result of the proposed issue, the company will be in a position to finance certain projects and expansion programmes. Pending the implementation of these projects, the proceeds of the proposed issue will be utilised for reducing the bank borrowing and financing the increase in working capital.

The company has its manufacturing plant at Vapi (Gujarat) and produces formaldehyde, hexamine and pentaerythritol, which are basic chemicals falling under the category of priority industries. For pentaerythritol it has obtained technical know-how from Josef Moissner of West Germany.

Bulk Storage

The company has ambitious plans for the future. It has recently commissioned a bulk chemical storage unit near Trombay, which has a storing capacity of about 4,200 tonnes of liquid chemical. It has received a letter of intent for the manufacture of 2,000 tonnes of fatty alcohol in the state of Maharashtra. Detailed negotiations are in progress with foreign collaborators and SICOM. It also holds a letter of intent for manufacturing 2,000 tonnes of polyceta resins.

Modern Syntex (India entered the capital market on September 19, with an issue of 560,000 equity shares of Rs 10 each at par. The proceeds of the full-underwritten issue will be utilised for financing partly the Rs 3.60 crore

project being set up at Alwar (Rajasthan), a notified backward area. The project involves installing 11,520 spindles for the manufacture of synthetic blended and other yarn, both grey and fibre-dyed. The company hopes to start production from January, 1978. Mr. H.S. Ranka, managing director, told newsmen recently that the company expected to cater to both the large scale and the decentralised sectors. He stated that the demand for synthetic blended yarn was increasing. The raw materials would be procured from indigenous polyester fibre manufacturers. The company hoped to produce quality products which would stand to better realisation and smooth sales.

The capital outlay would be met by share capital (Rs 110 lakhs), term loans from financial institutions (Rs 235 lakhs) and central government subsidy (Rs 15 lakhs). The Rajasthan State Industrial and Mineral Development Corporation has taken up shares worth Rs 16.40 lakhs. The managing director would take up 75,000 shares of Rs 10 each (Rs 7.50 lakhs), for which he has been sanctioned a soft loan by the Risk Capital Foundation, New Delhi.

Readers' Roundtable

Fighting Corruption

Sir, The facts revealed by the union Law minister regarding the companies who had given donations to political parties in the form of advertisements in their souvenirs and bulletins during the last two financial years shows how easily unlimited power, during the emergency, was converted into unlimited corruption!

Eight hundred and eighty-two companies had given Rs 8.04 crores. Of these 180 had paid more than rupees one lakh each. In the case of 54 companies payment exceeded Rs 5 lakhs each. Except Rs 7 lakhs, all the payments were made in respect of souvenirs published by the Congress party. This was undoubtedly a wholesale evasion of the ban on political donations by companies. That this evasion should have been perpetrated by the then ruling Congress party, which had itself enacted the ban, indicates how all political morality had disappeared.

It was well known that this evasion through advertisements and souvenirs was not the only way in which large sums were extracted from companies. Cash contributions of uncounted money were made on a very large scale and these were adjusted in the accounts of companies in various ways as entertainment expenses and special allowances to officers and in other ways. It may be mentioned that printing bills of candidates and the organisation of the then ruling Congress party as well as petrol and taxi bills and others were paid almost automatically. A scrutiny of the names of 180 companies, whose names have been revealed as having paid more than rupees one lakh for advertisements in souvenirs and bulletins shows that they cover all the important industries. It is obvious that these extractions were made almost like taxation and the entire business community had to submit without protest.

While it may be said that the extraordinary power given by emergency was responsible for such large collections, it has to be admitted that even under normal conditions, the same corruption is likely to prevail, perhaps in a smaller measure. It is, therefore of the greatest public importance that this form of corruption should be eliminated completely. It may be said that without the active cooperation of the directors of companies concerned, complete elimination is not possible and evasion and black money will continue to exist. This is true, but three measures can be taken which will reduce this corruption to a negligible extent.

The first step is to expand the ban on company donations to all kinds of indirect contributions like advertisements in souvenirs. It should be made clear that it was the duty of the directors and managers of companies to ensure that no payments are made to political parties in any form, directly or indirectly, and, if they are so made, they will be personally made responsible for the breach of law.

The second and even more important measure is to bring all collections made by political parties under the control of law. As in the case of the Federal Republic of Germany, there should be a law registering all political parties and compelling them to keep proper accounts and publish them regularly. The Election Commission should be authorised to appoint auditors, if necessary, for the scrutiny of such accounts. It should be the obligation of the Election Commission, that within six months of each general election, to give a statement showing the amounts collected and spent by each political party.

At present, election law prescribes the maximum amount that can be spent by candidates for election to the parliament or state assemblies. But this provision is practically nullified by debitting much of the expenditure to the account of the political party of the candidate.

Therefore, **as a third step,** a maximum limit has to be prescribed for the political parties together with the candidates and this combined limit should be enforced strictly.

It may be said that political parties cannot be run and elections cannot be fought without money. This is true but it should become a convention that the required money should be collected by donations from individuals for which due receipts are given and the amounts duly credited in the accounts. It is undoubtedly a more difficult task than bullying the directors and managers of companies and big commercial firms to paying very large amounts in black money and in other ways. But, there is no other way of ending political corruption. Freedom to form political parties will not be affected in any way by legal registration or obligation to maintain accounts. While even a charitable society which is registered has to keep proper accounts, there is no reason why political parties should not do so. If the Janata party is to end corruption, these three steps have to be taken as quickly as possible. Otherwise, the Janata party itself may find such corruption advantageous and fall into the pit.

Madras **K. Santhanam**

SESHASAYEE PAPER AND BOARDS LTD.

Registered Office: Pallipalayam, Cauvery R.S.P.O., Salem District.

Speech delivered by Sri. S. Narayanaswamy, Chairman, at the 17th Annual General Meeting of the Company on 22nd September 1977.

Gentlemen,

I have great pleasure in extending to all of you a cordial welcome on the occasion of the 17th Annual General Meeting of the Company. The report and the Accounts have been with you for some time, I request your permission to take them as read.

The year 1976-77 has been a year of many trials and tribulations for the paper industry in general, the overall trend being for the costs to rise and for selling prices to remain more or less stationary and, indeed, frozen in the special sector. It is in this background I would request you to judge the performance of your company which has resulted in a profit after depreciation of Rs 96.51 lakhs and in our maintaining the distribution on the capital at the prior year's level of 12 per cent. While our production of paper during the year was marginally lower than the previous year at 30,454 tonnes, our sales totalled 32,572 tonnes against 29,190 tonnes in the previous year. This means that we drew upon the contents of the warehouse for fulfilling the requirements of the market, which happened in a year of acknowledged recession in the paper industry as in several others. I am glad to say that our inventory of finished goods throughout was kept at a fairly low level and our warehouse most of the time held less than a week's output of paper from the mill.

Coming to the Accounts, a general analysis of the cost structure reveals that, while the prices of stores, chemicals and spare parts have disclosed reduction, power and fuel costs have remained more or less stationary. The main factor that has accounted for escalation is the increase in salaries and wages paid out during the year. This apart there is a sharp increase in the interest charges from Rs 22.66 lakhs to Rs 39.30 lakhs resulting out of the maximum utilisation of our cash credit facility from our bankers and also due to extension of credit facilities to our customers in the light of sluggish market conditions then prevalent.

I am glad to say that there has been a mild improvement in the condition of the paper market, in that the off take is better generally, though consumers continue to be extremely sensitive to price increases. The paper industry is fully aware of the difficult conditions in which the distribution and trading sectors have operated during the year. However, in view of the depressed market conditions during the year under review, the industry could not do much to bring them succour.

Your company alongside of other industries in Tamil Nadu, operated under a power cut of 25 per cent to 40 per cent during the greater part of 1976-77. Our experience with recurring annual power cuts compelled your management to make long range plans, particularly in view of the Expansion that has been undertaken by the company. Thus, we imported a 5MW turbo-generator set and had it installed and commissioned during the year under review, which helped to enhance our captive power generation capacity to 7.5 MW. This places the company in a strategically better position and enables us to produce power at reasonable cost, by reason of our using process steam for power generation. The power so generated should enable us to face the contingency of power cuts upto 60 per cent from the State Grid, without our having to cripple our production capacity.

For several years now, industrial users of power have had discussions with State Electricity Boards on the provision of incentives to those who have taken the trouble to install captive power generating units. These industries have pleaded for far more powerful incentives than the mere suspension of self-generation-tax during the currency of power cuts, which is at best a negative incentive. Many suggestions have been made to the Electricity Boards for banking of System Power, not utilised by individual industries during power cut periods, in consequence of self-generation and for making such power available to the industry during periods, when hydel waterheads stand fully replenished and power cuts are suspended. Suggestions have also been made for a complete rebate or a substantial slashing of excise duty paid on furnace oil utilised for self-generation of power. Only a comprehensive discussion at the Central level with all the Electricity Boards participating in such discussion, can result in evolving a formula that would make self-generation a less onerous exercise than it has so far proved.

The present price of furnace oil renders captive power generation exhorbitant in cost for all industries and has the effect of pushing up and distorting the ex-factory costs of goods produced in disconcerting manner. It is my hope that the Tamilnadu Electricity Board, before whom frequent representations have been made in this regard by many industries, will take the lead in bringing up this question before the Central Electricity Authority and Government for appropriate reliefs, particularly since existing schemes for enhanced generation of System Power are likely to fructify meaningfully only onwards of 1979-80.

The Central Government has for some time been greatly concerned over the non-increase in the installed capacity for paper production in the country, in the context of anticipated increase in demand in the coming Plan-period for all varieties of paper, particularly cultural paper. The breath-taking capital-intensity of the paper industry, coupled with the almost fantastic increases that have taken place in the price of plant and machinery in the recent past, and the long gestation periods involved, have effectively kept the 'run of the mill' entrepreneur away from the paper industry. Apart from this, it is not as if a paper mill can be located other than in reasonable proximity to forest areas, where raw material is available.

In the meantime, Government have sought to soften the edge of the problem of paper shortage by keeping the prices down. Though there is no statutory control on paper prices, the fact that 30 per cent of the total production has to be earmarked for 'preferred' sectors, at a price which has now turned out to be far far below the cost of production (involving most mills in a loss of about Rs 600/- per tonne), has had a softening effect on the open market price of paper that has, in turn

created problems for the distribution sector. It is quite reasonable for Government to stipulate that paper should be made available at low prices for manufacture of note books and for publishing text books for school and college students. However there is no reason why the Directorate General of Supplies & Disposals should also be included in this 'preferred' sector, with a special discount of 4 per cent on the already uneconomical price of Rs 2750/- per tonne thrown in. Representations made by the industry in this connection have been turned down. I would appeal to the Government to reconsider this matter, if only to reduce the hardship that is being faced by the paper industry in the context of rising input costs. If anything, a more realistic price structure even for the 'preferred' sector is essential, if fresh installed capacity is to materialise in this massive investment oriented industry.

The overall position in this country regarding raw material for paper industry has been a cause of continuous concern, in the background of accelerated depletion of forest resources and, in particular, bamboo. This problem needs to be tackled in a comprehensive manner and through bold and rational planning and speedy investment by the State Governments. The present dependence on the Forest Departments of Government for carrying out replenishment of denuded areas has not taken us very far. While we appreciate the efforts made by the Tamilnadu Government in starting a Forest Plantation Corporation, we believe that this effort should be supplemented by allocation of adequate suitable areas to the Paper Mills for raising plantation of pulpable wood and by encouraging the industry to become at least partially self-dependent in the long-run for its requirements of raw material, even as the Sugar Industry has been encouraged to do. The investment required to raise such plantations by the industry would be considerable but your Board believes that it would be in the best interests of the industry to undertake such plantations and I believe the State Government of Tamilnadu will give their full support to such a progressive measure.

There has been a wide diversity in the seigniorage charged by several State Governments in the country. There is a tendency for some State Governments to fix seigniorage on supplies of forest produce to paper mills by comparing the same with the commercial prices realised by Governments on the limited quantity of forest produce sold in auction to the public. I respectfully submit that this is not a fair or scientific method of determining seigniorage rates. On the other hand, the seigniorage fixed for a paper mill should have direct relation to the substantial overall revenues derived by the State Government from the paper industry in terms of salestax, proportion of excise duty levied on paper by the Central Government refunded to States, water charges, electricity taxes realised from the industry. I must, in this connection, convey my grateful thanks to the State Government for the understanding shown and co-operation which they are giving us during discussions on this subject.

You will be happy to note that the Expansion Project has been briskly put through and your company expects to commission the additional installed capacity about six months ahead of schedule. In the absence of any unforeseen difficulties, the expanded plant is expected to be commissioned in the second quarter of 1978. The imported chemical recovery boiler is being erected and will be ready for trial running soon. Manufacture of the paper machine is nearing completion with the Indian manufacturers. Indeed, a major number of integral parts of the paper machine have been recieved at site and are being put in position. Thus, the enhanced installed capacity of 165 tonnes per day is expected to be available from the early months of the financial year 1978-79 and doubtless, this will enable the company to generate the anticipated Cash Flow and Profits and give to the shareholders the benefit of improved economics of operations.

I must take this opportunity of tendering our deep sense of gratitude to the following financial institutions and nationalised banks, namely, Industrial Development Bank of India, Industrial Finance Corporation of India, Industrial Credit and Investment Corporation of India Limited, Unit Trust of India, Life Insurance Corporation of India, United Commercial Bank, Central Bank of India, Syndicate Bank, Punjab National Bank, Canara Bank and Bank of Baroda, who came forward so readily to give us the term loan assistance sought of them and made the funds available to us in practically record time.

I feel compelled to openly acknowledge here that the remarkable speed and efficiency with which the aforesaid term-loan assistance, running to the tune of Rs 1500 lakhs, had been processed by the participating Institutions and Banks, one and all, should help belie, if not refute, the popular misconception that obtaining loans from financial institutions and banks is an unduly long and time consuming process. To this factor must be attributed the speed with which we have been able to implement the project and effect some saving in the capital cost of the project.

I must take this opportunity to pay my tribute to Mr S. Viswanathan, our Managing Director, whose well-known dynamism in negotiating and securing the term loans, in ordering out the plant and machinery on quite advantageous terms and in following up their fidelity to time tables, resulted in our being well ahead of schedule in completing the Expansion programme.

I must place on record our appreciation of the splendid work done by our General Manager, Mr N. Padmanabhan, Dy. General Manager, Mr N. Ravindranathan, our Secretary, Mr K.V. Ramaswamy, and the team of talented and dedicated Engineers, Officers and Technical and administrative staff. I must tender our thanks to all ranks of employees and workmen for their having proved more than equal to the task of both current operations and expansion chores during the year under review.

Lastly, I want to thank my colleagues on the Board of Directors for their sustained cooperation and guidance given to me during the year.

Thank you.

Note: *This does not purport to be a record of the proceedings of the annual General Meeting.*

Capital formation in the corporate sector

"The share of bank borrowings in the inventories has been declining in recent years and the companies had recourse to alternative sources of finance like deposits, trade debts etc," according to Mr K.G.K. Subba Rao of the Department of Statistics, Reserve Bank of India.

FIXED ASSETS formation in the medium and large companies in the private sector is, by and large, financed by internal sources of funds. The share of bank borrowings in inventories has been declining in recent years, and the companies had recourse to alternative sources of finance like deposits, trade debt, etc, as a supplementary measure, in the context of non-availability of adequate bank credit.

Deposits from the public as a source of finance became prominent in recent years, because of the less attractive yield on risk capital, and easy availability of these funds at relatively cheaper rates as compared to bank credit. It was the rationing of bank credit, rather than the cost, which seems to have influenced the decisions of companies for increased reliance on deposits. In the context of a tight money market, borrowing through deposits/trade debt has been on the increase in recent years, and these are reckoned as substitutes for bank credit when the latter is scarce.

Reliance on trade debt has been substantial in recent years, while the share of credit sales has been declining. The corporate sector has turned out to be a net borrower under trade debt, possibly resulting in a strain on the liquidity position of the sectors (like small-scale industries) with whom they have trade transactions on credit.

The adoption of the Tandon committee norms would bring about a shift in the debt-equity mix of companies with greater reliance on equity. The companies will have to depend upon a part of their owned funds as well for meeting the working capital gap. The resources that become available to the corporate sector consequent on higher income retentions could be used as a source of finance for meeting the working capital gap, when there is no simultaneous step-up in investment in fixed assets. The flow of funds accounts of companies reveal that gross saving exceeded investment in long-term assets and a part of the saving could be diverted for financing inventory formation.

Investment and its Financing—Medium and Large Public Limited Companies

(Rs crores)

	1971-72	1972-73	1973-74	1974-75
Gross investment	679.8	619.0	928.3	1,565.5
Gross fixed investment	378.1	469.5	525.4	693.7
Inventories	302.2	149.8	406.1	870.1
Intangible and miscellaneous non-current assets	—0.5	—0.3	—3.2	1.7
Gross saving	426.3	457.6	544.3	738.8
Depreciation provision	304.5	329.7	349.5	389.4
Retained income	144.5	147.6	228.5	368.5
Capital gains and losses and other adjustments	—22.7	—19.7	—33.6	—19.1
Net borrowing	**253.5**	**161.4**	**384.0**	**826.7**
of which :				
Net security issues	20.8	6.0	9.1	16.6
Borrowings from banks	85.2	—55.2	153.7	338.1
Trade debt	48.9	78.5	189.2	248.8

Liquidity of the corporate sector

"Liquidity Position of the Indian corporate sector during the period 1965-66 to 1974-75 was on the whole comfortable," according to a study prepared by Mr. K. A. Menon of the Division of Monetary Economics (Economic Department), Reserve Bank of India.

JUDGING by the trends in current ratios or quick assets ratios of selected private and public limited companies included in the RBI studies on company finances, it may be said that the liquidity position of Indian corporate sector during the period 1965-66 to 1974-75 was on the whole comfortable. The current ratio or quick assets ratio of public limited companies improved over the years, although there were aberrations from the trend in some years. The value of current assets ratios was higher in respect of public limited companies, while that of quick assets ratio was lower as compared with private limited companies, implying that the latter companies had a better liquidity cushion. Both these ratios were closely aligned to the trends in profit margin and dividend pay-out ratios which probably explains why the liquidity position of the private limited companies was better than the public limited companies.

The proportion of current a sets to total net assets displayed a rising trend during the period; the share was rather high in the case of private limited companies. Inventories had a preponderent share in total current assets followed by loans and advances, which represent dues grant-

ed by the corporate sector. Motivated by considerations such as profitability safety and other factors, Indian industries in general showed a propensity to hold a higher level of inventories than warranted by production requirements. Applying the test of Tandon committee norms to certain selected mauufacturing industries, the level of inventories carried by these industries has been found to be roughly higher by 10 per cent than what the Tandon committee prescribed. Significantly, while the proportion of inventories to total assets showed a rising trend, that of finished goods in total inventories declined.

Excessive Borrowing

Huge inventory build up has given rise to the need for incurring excessive bank borrowings, apart from substantially utilising funds from long-term sources for working capital purpose. A scientific management of inventory envisages two principal objectives viz. ensuring the availability of inventories as and when needed, and investing the right amount in inventories in order to avoid unnecessary blocking of capital. There is greater need to strive for these obejctives on the lines suggested by the study group to frame guidelines for follow-up of bank credit in order to improve the corporate profitability as well as liquidity.

The share of trade dues and other current liabilities in total sources of short-term finance was significant in public and private limited companies; the proportion was rather high in the case of the latter. The size of trade dues is as much a reflection of the attempts on the part of companies to dilute the severity of monetary policy as of the growth of corporate sector itself. The sharp rise in this, since 1972-73, accompanied by a fall in the share of short-term bank borrowings is an evidence to this hypothesis.

Although the importance of bank borrowings as a source of working capital finance diminished over the period, on a rough assessment of the optimal level of bank borrowings as per the Tandon committee norms with regard to a few manufacturing industries, it is found that the short-term bank borrowings were in excess of what the committee considered appropriate. In the interest of better bank credit dispersal as well as for improving the liquidity position of the industries, the need to bring down the level of inventories and consequently the bank borrowings is imperative. Pursuit of a prudent dividend policy and avoidance of diversion of internally generated funds (e.g., through intercorporate investments), reinforced by an efficient inventory management would, to a great extent, enable the industries to be self-reliant, to secure a better status liquidity-wise, and to improve the capital formation rates.

Market value of securities : recent trends

According to a study prepared by the Division of Industrial Studies of the Economic Department and the Statistical Intelligence Division of the Reserve Bank of India and published in the June 1977 issue of the Reserve Bank Bulletin, the market value of ordinary shares (equity) of 1663 joint stock companies appreciated by 1.5 per cent over the year ended March 1976, in contrast to a sharp drop of 24.1 per cent in 1974-75.

REFLECTING THE improved state of the economy during the latter half of 1975-76 following improvement in industrial relations coupled with a number of measures taken during the year to revive capital market (such as relaxations in guidelines for bonus issues, withdrawal of dividend restrictions and enactment of the Companies (Transfer of Profits to Reserves) Rules 1975, the market value of ordinary share (equity) of 1,663 joint-stock companies appreciated by 1.5 per cent over the year ended March 1976, in contrast to the sharp drop of 24.1 per cent in 1974-75. This is revealed by a study prepared by the Division of Industrial Studies of the Economic Department and Statistical Intelligence Division of the Department of Statistics and published in the June 1977 issue of the Reserve Bank of India Bulletin. As, however, the appreciation in value was not significant enough and as the gross yields were lower than the interest rates on deposits of commercial banks, as well as deposits with private sector companies, ordinary shares were less attractive than other forms of investment in 1975-76, as in the previous year. The following table shows the trends in market values, gross yields on ordinary shares and deposit rates during the five years from 1971-72 to 1975-76.

Preference shares and debentures, however, suffered a further setback in market value during 1975-76, the former declining by 3.6 per cent and the latter by 1.0 per cent, on top of the fall of 5.6 per cent

Trends in Market Values and Gross Yield on Ordinary Shares : 1971-72—1975-76

Year (April-March)	Percentage variation in the proportion of market value to paid-up capital over previous year	Average gross yields for the month of March (end year) (per cent)	Range of deposit rates of	
			Commercial bank (per cent)	Well established private sector companies (per cent)
1971-72	— 6.1	6.8	6.00— 7.25	7.00—15.00
1972-73	+ 4.6	6.6	6.00— 7.25	7.50—15.00
1973-74	+16.0	5.2	6.00— 7.25	8.00—13.00
1974-75	—24.1	3.5	8.00—10.00	6.00—16.00
1975-76	+ 1.5	5.7	8.00—10.00	6.00—16.00

nd 3.5 per cent, respectively, n 1974-75. The enhanced ceiling rate of dividend on preference shares from 9.8 per cent o 11.0 per cent and interest ate on debentures from 8.5 er cent to 10.0 per cent with ffect from September 12,1974 ailed to reverse the declining rend.

Industry-wise, there was ide divergence in variations f market value: Whereas jute, extiles, sugar and paper and aper products showed major epreciation, aluminium, basic ndustrial chemicals (others) and silk, woollen and rayon textiles recorded substantial appreciation. In preference shares, sharp declines were observed in cotton textiles and jute textiles while aluminium and paper products registered major gains.

The market value of semi-government institutions' securities also recorded a small improvement of 0.2 per cent during the year 1975-76, while that of central government securities declined marginally by 0.6 per cent; state government's securities remained unchanged.

Company executives' remuneration

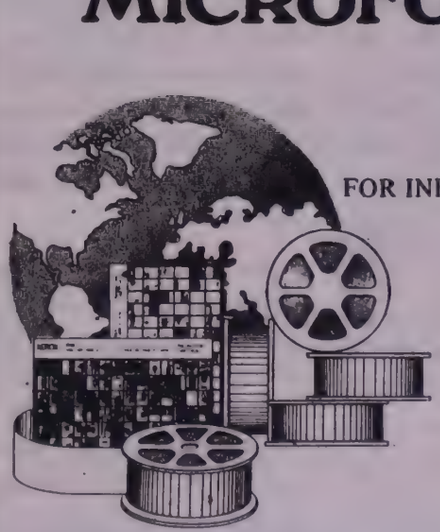
SOME 16,700 to 17,400 persons employed in the medium and large public limited companies in the non-financial, non-government corporate sector are estimated to have drawn a remuneration of Rs 3,000 and more per month during the year 1974-75, the total remuneration (salary, dearness allowance, house rent allowance, bonus and other benefits such as leave wages, etc.) amounting to about Rs 96-99 crores, and another 2,500-2,600 employees drew similar remuneration for part of the year, totaling around Rs 9 crores, according to a study made by the Company Finances Division of the Department of Statistics and published in the June 1977 issue of the Reserve Bank of India Bulletin. The total remuneration of the two categories together is thus estimated at Rs 105-108 crores which constitutes about 2.4 per cent of the compensation of Rs 4,494 crores (as per the Central Statistical Organisation) of all employees in the organised private enterprises sector for 1974-75. The estimates are based on an analysis of data culled out from the audited annual accounts of 1,263 companies (out of the 1,650 selected medium and large public limited companies included in the RBI's regular studies on company finances) in which the relevant information is available. These companies accounted for 56-58 per cent of the total paid-up capital of the entire medium and large public limited companies in the non-financial, non government corporate sector.

Out of the 1,263 companies, 875 companies had 9,716 employees (employed for the whole year) drawing annual remuneration of Rs 36,000 or more. Their total remuneration amounted to Rs 55.5 crores or an average of Rs 57,100 during the year 1974-75, while 388 companies did not have any such employees. Concentration of employees was found to be in the first three annual remuneration ranges of Rs 36,000 to Rs 60,000, these ranges accounting for 71 per cent of the 9,716 high-salaried employees, although their share in the total remuneration of all the highly paid employees together came to only about 56 per cent. On the other hand, about six per cent of the high-salaried executives who drew remuneration of one lakh rupees or more claimed more than 14 per cent of the total remuneration of all the high salaried employees.

In addition to the 9,716 high-salaried employees, employed for the whole year, there were 1,470 employees drawing remuneration of Rs 3,000 or more per month who were employed for part of the year in the 875 companies, their remuneration for the period of service during the year 1974-75 totalling Rs 5 crores. The total remuneration of both the types of employees constituted 5.4 per cent of the total salaries and wages of all the employees of 875 companies.

Note: Joint-stock companies are statutorily required to publish in their annual reports certain information regarding their employees drawing remuneration of Rs 36,000 or more per annum if employed throughout the financial year or Rs 3,000 or more per month if employed for part of the financial year.

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1975-76	+ 1.5	5.7	8.00—10.00	6.00—16.00

nd 3.5 per cent, respectively, n 1974-75. The enhanced ceiling rate of dividend on preference shares from 9.8 per cent o 11.0 per cent and interest ate on debentures from 8.5 er cent to 10.0 per cent with ffect from September 12,1974 ailed to reverse the declining rend.

Industry-wise, there was ide divergence in variations f market value: Whereas jute, extiles, sugar and paper and aper products showed major epreciation, aluminium, basic ndustrial chemicals (others) and silk, woollen and rayon textiles recorded substantial appreciation. In preference shares, sharp declines were observed in cotton textiles and jute textiles while aluminium and paper products registered major gains.

The market value of semi-government institutions' securities also recorded a small improvement of 0.2 per cent during the year 1975-76, while that of central government securities declined marginally by 0.6 per cent; state government's securities remained unchanged.

Company executives' remuneration

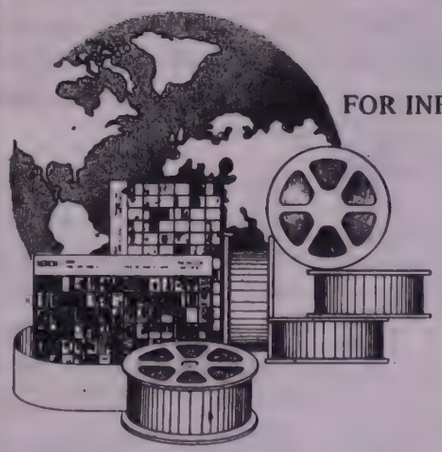
SOME 16,700 to 17,400 persons employed in the medium and large public limited companies in the non-financial, non-government corporate sector are estimated to have drawn a remuneration of Rs 3,000 and more per month during the year 1974-75, the total remuneration (salary, dearness allowance, house rent allowance, bonus and other benefits such as leave wages, etc.) amounting to about Rs 96-99 crores, and another 2,500-2,600 employees drew similar remuneration for part of the year, totalling around Rs 9 crores, according to a study made by the Company Finances Division of the Department of Statistics and published in the June 1977 issue of the Reserve Bank of India Bulletin. The total remuneration of the two categories together is thus estimated at Rs 105-108 crores which constitutes about 2.4 per cent of the compensation of Rs 4,494 crores (as per the Central Statistical Organisation) of all employees in the organised private enterprises sector for 1974-75. The estimates are based on an analysis of data culled out from the audited annual accounts of 1,263 companies (out of the 1,650 selected medium and large public limited companies included in the RBI's regular studies on company finances) in which the relevant information is available. These companies accounted for 56-58 per cent of the total paid-up capital of the entire medium and large public limited companies in the non-financial, non government corporate sector.

Out of the 1,263 companies, 875 companies had 9,716 employees (employed for the whole year) drawing annual remuneration of Rs 36,000 or more. Their total remuneration amounted to Rs 55.5 crores or an average of Rs 57,100 during the year 1974-75, while 388 companies did not have any such employees. Concentration of employees was found to be in the first three annual remuneration ranges of Rs 36,000 to Rs 60,000, these ranges accounting for 71 per cent of the 9,716 high-salaried employees, although their share in the total remuneration of all the highly paid employees together came to only about 56 per cent. On the other hand, about six per cent of the high-salaried executives who drew remuneration of one lakh rupees or more claimed more than 14 per cent of the total remuneration of all the high salaried employees.

In addition to the 9,716 high-salaried employees, employed for the whole year, there were 1,470 employees drawing remuneration of Rs 3,000 or more per month who were employed for part of the year in the 875 companies, their remuneration for the period of service during the year 1974-75 totalling Rs 5 crores. The total remuneration of both the types of employees constituted 5.4 per cent of the total salaries and wages of all the employees of 875 companies.

Note: Joint-stock companies are statutorily required to publish in their annual reports certain information regarding their employees drawing remuneration of Rs 36,000 or more per annum if employed throughout the financial year or Rs 3,000 or more per month if employed for part of the financial year.

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Trade with Burma, Bangladesh and Sri Lanka

Consistent with the overall policy of promoting closer relations with the neighbouring countries and strengthening economic and commercial links among developing countries in general, the government has been paying serious attention to the question of developing trade relations with the immediate neighbours like Burma, Bangladesh and Sri Lanka.

To BURMA, Indian exports were stepped up from about Rs 50.30 million in 1974-75 to over Rs 89 million in the subsequent year; during the first eleven months of 1976-77, the export value approximated Rs 86 million. The value of Indian imports from Burma was negligible in 1974-75 and witnessed a sudden spurt to Rs 53 million during the year that followed. In the period April, 1976—February, 1977, the import deteriorated to Rs 5.5 million.

To Bangladesh, however, India's two-way trade was in far larger proportions. The export realization was in the neighbourhood of Rs 423 million in 1974-75 which was substantially promoted to Rs 621 million in 1975-76; during 1976-77 (April-February) however, the export value slid down to about Rs 451 million. Indian imports from Bangladesh stood at Rs 92 million, Rs 46.40 million and Rs 61 million in these years.

The value of Indian supplies to Sri Lanka, which was over Rs 268 million in 1974-75, witnessed a decline to Rs 230 million in 1975-76 and recorded substantial expansion to nearly Rs 308 million in the first 11 months of 1976-77. The import bill from that country increased from Rs 2.3 million to Rs 2.7 million and Rs 11.3 million.

Burma

India's trade with Burma has been in free foreign exchange and is governed by the trade agreement between the two countries which was signed in 1970 and automatically extended by a year each time, subject to mutual consent. India's major items of export to Burma are cotton yarn, jute manufactures, coal, iron and steel and engineering products. Burma's major supply to India has traditionally been rice. Thanks to improved rice production in India, the import has, however, declined and in the profile of imports from Burma are now included pig lead, tungsten ores and concentrates.

An analysis of the commodity composition in respect of Indian exports to Burma shows that during April 1976-February 1977, the most important supply related to coal at Rs 28.10 million. The bulk of the coal supply pertained to anthracite variety. The export of textile yarn and thread fetched Rs 12.50 million, iron and steel products Rs 7.6 million, industrial machinery Rs 5 million, glassware Rs 4.5 million, jute manufactures Rs 2 million, chemical elements and compounds Rs 2 million and paper and manufactures about Rs 1 million.

Bangladesh

Trade relations with Bangladesh are also governed by a trade agreement which was originally entered into in 1973 for an initial validity period of three years but extended for another period of three years in October, 1976. The agreement provides for annual trade review which was last held in February 1977. Up to the end of 1974, the trade between the two countries was governed by a limited payment arrangements. Effective from January, 1975, the trade has been on the basis of payment in free foreign exchange. Aside from trade in normal channels, Indian supplies to Bangladesh are also governed by various types of credits extended by India to that country from time to time.

India's major export item to Bangladesh is coal. Substantial quantity of coal has been contracted for export to that country during 1977 also. Among other export items of importance are engineering goods, iron and steel, chemicals and allied products, cotton manufactures and textile yarn and thread.

As for Indian imports from Bangladesh, the prominent items are jute, newsprint paper, chemical elements and compounds. textile yarn and thread. During the first eleven months of 1976-77 (April 1976-February 1977), the foremost item of export from India to Bangladesh related to the group of machinery and transport equipment. Together the fetched Rs 161.40 million o of the total export value Rs 451 million.

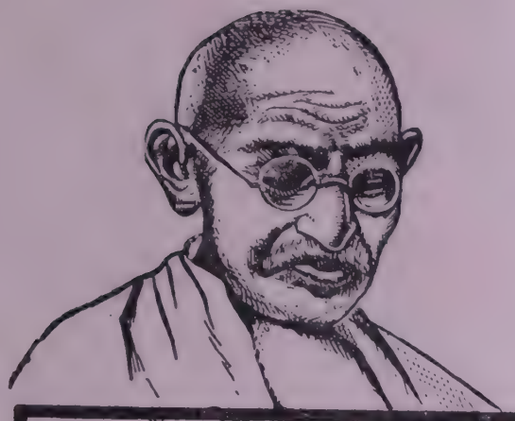
During the same perio (April 1976-February 197 Indian purchases of raw ju from Bangladesh amounted Rs 57 million.

Sri Lanka

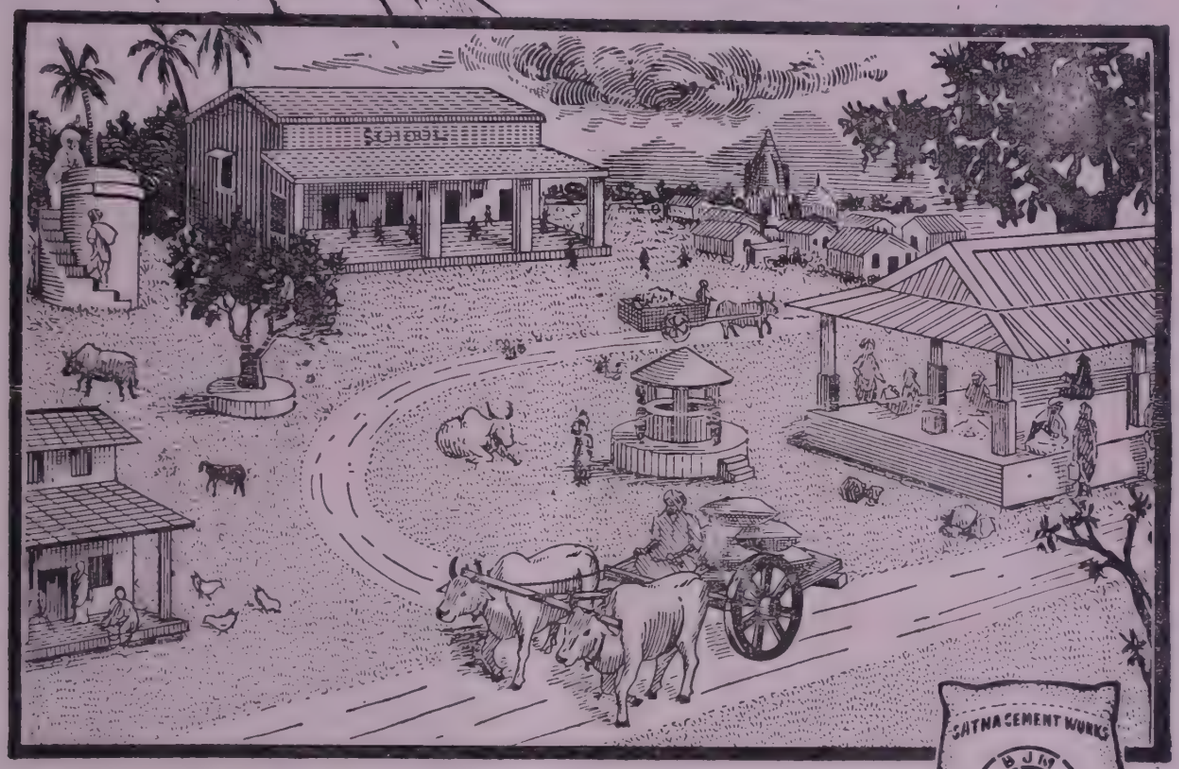
India's trade with Sri Lank is governed by a trad agreement of 1961 which pro vides for consultation fro time to time. An Indo-S Lanka Joint Commission ha been set up to examine th scope for trade expansion an economic cooperation. Indi has been extending credits t Sri Lanka with a view to fac litating the latter's purchase of select items from India. I January 1977, a fresh credi was extended covering som new items. Question of low im ports by India from Sri Lank has attracted the attention o the joint commission.

During 1976-77 (Apri February), the most significan supply from India to Sri Lank pertained to the machinery an transport equipment whic earned as much as Rs 124 mi lion out of the total expor of Rs 308 million. Non transport equipment alon fetched Rs 178.40 million whil industrial machinery Rs 3 million and electrical machine over Rs 13 million. Iron an steel exports realized additiona Rs 24 million and mill manu factures netted Rs 124 millio

Exports during the perio were of the order of Rs 3 million while the supply c cotton yarn and thread wa almost equally significant a about Rs 32 million. The of take of fish and fish prepara tion netted Rs 11 million an Rs 13 million respectively.



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Advisers all

IN ITS report for the year ended June 1977, released recently, the board of directors of the Reserve Bank says that "the favourable position in external payments and food stocks is conducive to achieve higher levels of investment in an environment of relative price stability." This manages to pack more cliches into fewer words than might have been thought possible. A statement of this kind could perhaps have been made with some point a year ago or even perhaps as late as March last. In fact this comment was made then, not once, but many times by several sources of varying degrees of authority. To repeat it, parrot-like, now carries neither analysis nor argument very much farther.

To start with, the existence of large food stocks with the Food Corporation of India has *not* brought about an environment of price stability. On the contrary, the upward thrust of the price level and the consequent pressure on the cost of living is now one of the government's major worries. Again, the advice which has been so freely available to the government that it should utilise its surplus food reserves for creating more employment in the country, preferably in the building up of durable assets for the economy, by providing for payment in grain to workers engaged on the relevant projects has proved easier to give than to act upon. The present deputy chairman of the Planning Commission soon after assuming office has very sensibly pointed out that expectations in this regard could easily degenerate into wishful thinking. The point is that, partly because of the fluid political situation, state governments have not been in a position to come forward with solvent strategies for converting surplus foodgrains into employment-oriented development works. This bottleneck can be widened only over a period and all that can be said appropriately now is that, a beginning having been made in this direction in some parts of the country, the tempo should be steadily built up. It will be wrong, however, to anticipate large results very early.

The foreign exchange reserves, like the food reserves, have also presented problems of prompt utilisation for productive purposes. In spite of a decision incorporated in the central budget, the government has so far not been able to draw down substantially its foreign exchange reserves for the purpose of financing its development outlays. Once more both the planning and the administrative machinery of the central and state governments have been found to be without projects on their shelves, which could be taken out, dusted and set to work so that the foreign exchange accruing to the country over and above its reserve requirements could be translated into increases in investment. This is another bottleneck the widening of which does not admit of on-the-spot manoeuvres.

The report asserts that there is an urgent need to bring about much closer integration in financial planning than hitherto. The context in which this advice has been offered is interesting. A decision has been announced by the government to adopt the concept of a rolling plan, the main purpose of which seems to be that the allocation of resources should be more effectively related to the actual physical implementation of plan programmes and the changes in the needs of the community which those programmes are intended to serve. While the public awaits a clear description of the intended reform of the planning process, it could certainly be said at this stage that the government seems to be quite aware of the necessity of integrating physical and financial planning into greater coherence in the future.

The argument in the report that the build-up in food stocks and foreign exchange resources has rendered the pursuit of a higher level of investment easier may be accepted without reservation. The report itself points out that the development in the external payments and foodgrain situations reflects, in a real sense, the inadequacy of the levels of domestic investments and incomes. In other words there are powerful constraints on raising investment levels—and they have not disappeared simply because the Food Corporation holds large grain stocks or the Reserve Bank considerable sums of

foreign exchange. For instance, in spite of the fact that a few decisions had been taken, although belatedly, for increasing power generation and more may be taken in the near future, the additional capacities may not be commissioned much before three years. This means that the deficit in power supply will continue for some time and may be mitigated only to the extent the state electricity boards are able to step up their efficiency.

Janata philosophy

The increase in investment levels would depend basically on the decision taken by the public sector and the private on the expansion of existing production facilities or establishment of new ones. So far as government outlays are concerned, the Janata party philosophy has been publicized as favouring a shift of resources from organised industry, particularly basic industry, to rural development. This approach may have its merits, but it is certainly not one which would facilitate the productive utilisation of substantial amounts of external resources. The Reserve Bank's report says that there is no basic conflict between investment in industry and investment in the rural sector. This view may be sound, but it is not particularly useful in this specific context, since powerful influences in the central government seem to be insisting on pushing basic and large-scale industry down in the order of priorities. As for the private sector, the constraints on dynamic investment projections are serious. Partly because of high excise taxation, demand is depressed for many of the end-products of industry and very few major consumer goods industries are in a position to commit themselves to expansive market projections. This necessarily restrains optimism in the planning of outlays in the capital goods or the intermediate goods sector.

Even if entrepreneurs are prepared to take risks in demand forecasting, the mobilization of industrial capital has become an arduous task. Voluntary private savings have become a weak and uncertain source for the venture capital needed by the corporate sector. The term-lending institutions have not only not been keen on mobilizing resources aggressively, but are clearly reluctant to loosen their purse-strings to the extent their funds allow. Even in the important matter of captive power generation, industrialists are finding the IDBI far from helpful. It remains to be seen how far the Reserve Bank's recognition of the need for raising investment levels would influence the policy attitudes or lending practices of financial institutions and their subsidiaries over which it has authority or influence.

To sum up, because over a period of three decades of self-government this country has not succeeded in exploiting creatively the development potential of its vast human resources and large natural resources, it now finds it difficult to solve the problems that need to be solved for relating assets or advantages such as gains in food supply or foreign exchange reserves to schemes for stepping up the rate of economic growth. When the Reserve Bank sagely advises that the government should consciously plan for a trade deficit, it overlooks conveniently the fact that, after three decades of rigorous regimentation of the economy, it would be naive to expect it to stage a dramatic display of buoyancy or flexibility at New Delhi's bidding.

STC at the crossroads

DESPITE A sharp break in the value of exports of sugar, the State Trading Corporation of India (STC) was able to almost maintain the scale of its operations in 1976-77 at the level of the preceding year. While total turnover of the STC was valued at Rs 981 crores in 1975-76, it declined marginally to Rs 975 crores in 1976-77, thanks to the spurt in edible oil imports due to their shortage in the country. Its subsidiaries improved their turnover from Rs 112 crores in 1975-76 to Rs 208 crores partly due to the addition of a new one—State Chemicals & Pharmaceuticals Corporation Ltd—whose sales were as high as Rs 98 crores in the very first year of its working. Thus the STC and its subsidiaries reached a new peak in sales in 1976-77 at Rs 1184 crores which brought in its wake fresh challenges of growth and adjustment. The new chairman of the STC, Dr S. C. Bhattacharjee has therefore openly acknowledged that the organisation "is now suffering again from such problems of growth which are manifest in its operation."

But what are these problems of growth? The chairman of the STC has not spelled them out in his statement at the 21st annual general meeting of the corporation. However, he has assured that "a thorough review of its objectives and organisation structure is being undertaken". As stated by Mr Mohan Dharia, the minister of Commerce, at the above-mentioned meeting, a cabinet sub-committee is already examining the present role of not only the STC but also of the Minerals and Metals Trading Corporation of India Ltd (MMTC) and the Steel Authority of India Ltd, (SAIL). Also the Indian Institute of Management, Ahmedabad, is studying in detail the effectiveness of the STC's role and the organisational and procedural changes which are needed to cope with its plans of expansion.

While the cabinet sub-committee and the IIM are still struggling to analyse the problems facing the STC, Mr Mohan Dharia, the minister of Commerce has already unburdened his mind and indicated the "broad guidelines for reorientation of the role and functioning of the STC." He is of the view that the STC should participate in a large measure in the following socio-economic programmes of the government: (a) maintaining price stability through timely imports and holding of buffer stocks in case of shortages, and exports and price support in case of excess production; (b) job oriented economic development in the small-scale sector; (c) elimination of exploitation of primary producers by middlemen; and (d) assist the government in controlling the commanding heights of economy. In short, Mr Mohan Dharia has chalked out a blue-print for increasing the scope of activities of the STC

irrespective of the fact if this monolithic enterprise has the capability to shoulder additional burdens or not, and without caring to know about the expert opinion of the IIM.

The trading results of the STC for 1976-77 have shown an increased profit at Rs 26.66 crores as against Rs 14.55 crores in 1975-76 but a major part of the rise is not due to its improved working results but because of "reimbursement of past deficits up to March 31, 1976, in respect of edible oils amounting to Rs 19.76 crores". But for the windfall of repayment of deficits of preceding years, the profit for the year under reference would have been half of the level attained in the preceding year. And despite this scaled-down profit, the STC has to face the complaints of high service charges, unjust pricing policies and high overheads. Also, it is not possible to find out from this year's balance sheet the items of export on which the STC has been making losses and the magnitude thereof. Earlier annual reports used to set out this information clearly.

feather in the cap

Anticipating a decline in export earnings due to drop in sugar prices, the STC had budgeted for total exports at Rs 615 crores in 1976-77. The final tally at Rs 666 crores was a feather in its cap. Both the canalised and non-canalised items had done well. Excluding sugar, the exports of canalised items at Rs 354 crores compared favourably with the corresponding exports in the preceding year at Rs 227 crores. The non-canalised items did remarkably well as their exports rose from a mere Rs 65 crores in 1975-76 to Rs 160 crores in 1976-77. Markets for new export products were identified, namely, mango juice to Libya and Kuwait, pineapple products to Hungary, fire resistant flying overalls to Sudan, and sports goods to the USSR and Algeria. For the first time, non-canalised exports of the STC were valued at nearly one-fourth of the total exports indicating that the corporation had acquired the skills as well as the competence to operate in highly volatile and fluctuating commodity markets of the world. The STC also encouraged a number of small-scale manufacturers to adopt the consortia approach of marketing and the exports of a number of items such as plywood, tea chest panels, livestock and dried fish were pushed up.

The failure of the oilseeds crops in this country imposed an added responsibility on the STC to arrange supplies of edible oils on a large scale for use by the vanaspati industry and for direct consumption by households. It rose to the occasion and increased the import of edible oils from 160,000 tonnes in 1975-76 to 620,000 tonnes in 1976-77. What is more, it has organised (in association with different state governments) to supply rapeseed oil at fixed and uniform prices throughout the country. To stabilise the edible oil prices, the corporation has certainly played a very useful role.

Notwithstanding the sluggish working of the STC during the first five months of the current year, the targets have been pitched at a level higher than the one achived in 1976-77. The total turnover is anticipated to rise to Rs 1212 crores comprising exports at Rs 804 crores, imports at Rs 403 crores and domestic sales at five crores of rupees. Dr S.C. Bhattacharjee is justified in pleading that the "STC's export performance should not be judged by the turnover alone" because the corporation has shown that it has acquired the skill in increasing the export of non-canalised items. For 1977-78, the target for the export of non-traditional and non-canalised items has been raised to Rs 219 crores as against Rs 160 crores in the preceding year. The sucess in this sector is partly due to the organi-

Smile, please

The August issue of "Indian Railways" published by the ministry of Railways is unexpectedly entertaining. It carries a picture of Mr Sheo Narain. This is proper enough, since the new minister of state for Railways has to be introduced to the readers of the magazine. What intrigues us, however, is the high frequency with which Prof. Madhu Dandavate's picture adorns the publication. There is a passport size photograph of him on page 5. There is a group picture, in which he is present, on page 23. There is another view of the same group on the following page. On page 33 Prof Dandavate (incidentally the name is misspelt as Dandvaate which, however, does not make him a different person) is shown inspecting a new design of a coach cushioned for the greater comfort of second class passengers. On the next page, the minister is seen discussing the new coach.

On page 43 we come to two pictures of Prof Dandavate, but this time in an exotic setting. The camera has caught the minister at the rail yard in Rome. On page 45, again, there are two pictures, but Prof Dandavate is in one of them only; his wife is in the other. On page 49 there is a crowd scene, with Prof Dandavate very much in the foreground. On page 50, there is a single column picture of Prof Dandavate inside a loco coach and a three-column spread of the minister addressing workers. On page 51, there are two double-column pictures featuring the minister and also a single column picture. Arriving at page 56, we duly find that the minister had arrived earlier and the score goes up by two more double-column pictures. At last we have reached the end of this illustrated travelogue. Considering there are ten more pages (including the back cover) to the magazine, we should admire the restraint of its editor as well as its publisher, both, needless to say, officials of the Railway Board.

sation of the Development Export Group within the corporation which is all the time on the look out for new markets. This is indeed a happy development specially when the corporation has taken upon itself the challenging task of assisting the small-scale manufacturers through the consortia approach.

The rural poor

In its annual report for 1977, the World Bank has conceded that rural development is no easy task though it has stuck to its belief that "it is possible to design projects that will assist large numbers of the rural poor to expand production and increase their incomes." It has been estimated that about 650 million persons in the developing world live in absolute poverty which means that they exist on an annual per capita income of not more than $50. Another 100 million persons have incomes above $50 each but they are less than one-third of the national average, and hence these people may also be rightly placed in the category of the poor. Four out of five of these poor of the world live in rural areas. The number of the rural poor in the world is thus around 600 million and their ranks are growing at the rate of nearly two per cent a year. More than one-third of these rural poor belong to our country. This highlights the importance of the World Bank projects relating to rural development for our country.

basic issues

The World Bank has assisted no less than 128 rural development projects in developing countries during the three years ending in June 1977 though the total number of its agricultural development projects exceeds 400. The Bank has formulated these projects keeping in view four basic issues. First, they are designed to reach the largest numbers of low-income agricultural producers. Second, they are financially viable and result in raising the incomes of the rural poor. Third, they are relatively low-cost projects and can be managed by the finance-hungry budgets of developing countries. Fourth, they are comprehensive in scope so that they do not ignore health, education and national, regional, and sectoral goals. The eight projects which the World Bank and its affiliate, the International Development Association (IDA), agreed to assist in this country during the year ending in June, 1977 fit into the criteria listed above.

financing irrigation

The total financial assistance which has been committed for these eight projects is of the order of $321 million. The largest project has earmarked $200 million—provided by the IDA—to benefit nearly a million farmers in this country. The funds are being channelled through the Agricultural Refinance and Development Corporation which has chalked out a programme of lending to the needy farmers. About 88 per cent of these funds are supposed to be used to finance minor irrigation and land development sub-projects. It has been estimated that nearly half of the committed assistance i.e. $100 million will be reserved for the small farmers.

The second project is for a programme to improve tree crop production in Kerala. It is expected to augment the incomes of 75,000 households a majority of whom belong to the poorest section of the population of the state. An effort will be made to expand the research work and to strengthen the agricultural extension services. The design of the project is such as to permit their duplication elsewhere in the state. While its total cost is computed to be around $69 million, the IDA commitment is for $30 million only.

The third project for which the IDA has provided financial assistance envisages water savings through canal lining and improved system operations and agricultural practices in the command area of Tamil Nadu. It will result in permitting double crops in areas which have traditionally yielded only one crop in a ye Besides improving village roads and tra ing project staff, emphasis will be laid the reorganisation of the district agric tural extension service. Out of the to cost of the project at $45.6 million, t IDA has agreed to put in $23 million.

five projects

The remaining five projects are smaller dimensions and have received co mitments of financial assistance totalli $68 million. They include a programm in Orissa for improving foodgrains pr duction, a fishing project in Gujarat, food production programme in We Bengal to "contact" 320,000 farmers, agricultural extension services programm in Madhya Pradesh and another proje for benefiting 200,000 "contact" farme in Assam.

It may be recalled that the Wor Bank's policy on rural development developing countries was set out thr years ago in a special paper entitl "Rural Development". It was known the Bank that it was venturing into a fie regarding which it did not prossess t necessary expertise. However, it w determined to push ahead and learn abo the processes of rural development poor societies through experimental pr jects. The US National Academy Sciences (USNAS) is reported to ha stated in a recent publication that t economic assistance agencies such as t USAID and the World Bank "have us their loan and grant programmes to a vance strategies and impose conditions performance that the developing countri would not otherwise have adopted".

The USNAS has assumed that the dev loping countries in each case had plans their own for furthering the interests of t rural poor which the agencies did n support. It may have been true in oth countries but not in our country. He each project has been prepared by Indian agency in keeping with nation aspirations and the World Bank aid h been sought to supplement the domes effort. In fact, our country has insist on securing the soft IDA loans, and wh they were not forthcoming for some tim this country refused to entertain eith

the World Bank or the International Finance Corporation (IFC) high-cost credits. The World Bank credit of $14 million is only a little more than four per cent of the aid committed for the eight projects cited above; the rest is all from the IDA.

Realising that agriculture is the key to improving the living standards of the rural poor in developing societies, the lending operations of the World Bank and the IDA have given the highest importance to agricultural production, though the Bank has not failed to recognise the complementarity of industrialisation and urban development to agriculture. Says the World Bank report: "As rural productivity increases and urban incomes rise in developing countries, rapid migration to urban centres often occurs. This is due to the fact that higher agricultural productivity reduces the need for additional rural labour; increasing urban incomes, of course, serve as a magnet for the poor, rural labour force." Having come to the conclusion that it is not possible to stem this flow, the Bank has rightly recommended major policy adjustments "to absorb the migrants productively". In this country, some members of the Janata party led by Mr Charan Singh, the Home minister, have suggested that the migration of the rural unemployed to urban areas should be stopped by providing facilities for rural, small-scale and cottage industries. The concept of rural industries, nevertheless, is in a nebulous state at present and it will take the Janata government some time to spell out a coherent policy in this regard.

States should borrow more

THE CENTRAL government is apparently determined to make good the shortfall in budgetary resources arising out of the repayment of the second instalment under the compulsory deposit scheme and a possible decline in receipts from direct taxes as a result of the payment of larger bonuses to employees by industrial-units in the public and private sectors. There will necessarily have to be larger borrowing through loans and bonds and intensification of tax collections. It is not known what success will attend the efforts to secure funds through sales of the newly issued National Development Bonds carrying interest at 13 per cent annually on a cumulative basis and payable on maturity of the bonds after five years. As it has been srggested that interest payment should be made on a half-yearly or annual basis in order to make the bonds really attractive and enable the holders to secure regular income, it remains to be seen whether any changes will be made in the terms of bonds later. In any case, it may be expected that the new bonds will fetch about Rs 100/150 crores with a vigorous effort to effect sales to individuals in the urban and rural areas. It is, however, through open market loans that the central exchequer will be securing large additional resources. The target of Rs 999.75 crores in respect of net borrowings through open market loans is likely to be comfortably exceeded. In fact, on present indications, the shortfall in resources due to new developments referred to above may be more than offset by additional net borrowing of Rs 400 crores. The Finance ministry is obviously keen on protecting its budgetary position and preventing the emergence of a deficit of more than Rs 85 crores assumed in the budget estimates. Extreme caution has necessarily to be exercised in the creation of currency which will be necessitated in the event of an enlargement of the deficit as the calculations of the government are likely to be upset if their expectations of mobilisation of rupee counterpart funds through the running down of foreign exchange reserves by Rs 800 crores do not materialise. It is only recently that some serious thought has been given to the use of foreign exchange reserves through liberalisation of imports though it is difficult to see how larger foreign aid and the loan of Rs 800 crores from foreign exchange reserves held by the Reserve Bank can be fully utilised before March next year when a trade surplus has emerged in the first five months of the current financial year.

The success attending the plans for using foreign exchange reserves can be judged only in the light of developments. It can however be confidently expected that net borrowing through open market loans can be easily Rs 1500 crores surpassing the target by over Rs 500 crores.

massive borrowing

This spectacular achievement has been facilitated by the massive borrowing attempt in the first half of the 1977-78. Three tranches of borrowing have been completed by August netting in Rs 640.02 crores. In May last there were two reissues of earlier loans for Rs 100 crores with the Reserve Bank taking over on its own account a large block of 6¼% 1997 loans for Rs 75 crores and 6½% 2003 loan for Rs 25 crores. On June 20, three new loans, 5½% 1985, at Rs 99.50, 6% 1994 at Rs 99 and 6½% 2004 at par were offered for public subscription. The notified amount was Rs 400 crores. As there was heavy oversubscription the government exercised its right to accept subscriptions up to 10 per cent in excess of the notified amount and the funds secured were Rs 440.02 crores.

The demand for gilt edged securities was still unsatisfied and two reissues of 6% 1994 and 6½% 2004 loans for Rs 25 crores and Rs 75 crores respectively were made and the Reserve Bank again took these parcels on its own account as its holdings of terminable securities had got depleted through large net open market sales. It has been indicated in the annual report of the Reserve Bank of India for 1976-77 that sales amounted to the staggering total of Rs 531 crores and for the first time in recent years the income secured from investments in Rupee securities and Treasury Bills was lower at Rs 263.46 crores in 1976-77 against Rs 306.61 crores in 1975-76.

The facility for easy borrowing through open market loans is being fully exploited as in the fourth stage as much as Rs 495 crores has been raised through three new loans. It has been generally expected that the Reserve Bank would announce the

terms of new central loans only in the first week of October as the maturing 4½% loan outstanding for Rs 120.63 crores falls due for repayments only on October 15, 1977. It was also felt in some quarters that state governments would be permitted to make reissue of their loans and raise at least an extra Rs 50 crores. The central exchequerhas however decided to complete the target for net borrowing even with the fourth stage and take appropriate decisions relating to the mobilisation of additional resources in the light of the new developments in the later half of 1977-78. The notified amount for the three new loans, 6% 1993 at Rs 99.50, 6¼% 1998 at par and 6½% 2005 at par, was Rs 450 crores. The list will no doubt be oversubscribed and the amount accepted should reach Rs 495 crores. Allowing for the repayment and funding of maturing 4½% loan, the net amount raised would be Rs 375 crores. The holders of the maturing loans are benefited by the opportunity for converting it into a new loan carrying a higher rate of interest and secure additional income for a fortnight amounting to a sort of a bonus. This procedure has perhaps been followed in order to adopt a convenient strategy for subsequent borrowing in the light of developments.

target exceeded

The target for net borrowing of Rs 999.75 crores for the whole year, as stated above, has thus being exceeded even in the first six months with the net amount of Rs 375 crores secured in the fourth phase. The aggregate is Rs 1,015 crores, with gross borrowing being Rs 11,135 crores against the budget estimate of Rs 1,129 crores. The outstanding amount in respect of 6½% gold bond is only Rs 8.62 crores and the bonds can be redeemed without difficulty on the due date. Even allowing for the repayment of these bonds the target for net borrowing has already been exceeded by over Rs 5 crores. In the last half of the year it should be possible to issue fresh loans or effect reissues for Rs 500 crores and achieve an all-time record of above Rs 1,500 crores. With bank deposits likely to increase by Rs 2,000 crores in the six months ending March 1978, banks alone will have to invest freshly a minimum of Rs 550 crores in government securities. The Life Insurance Corporation and provident funds can find another Rs 500 crores. Even allowing for reissues of state loans and further offers of bonds by state electricity boards and financial corporations, it should not be difficult to realise Rs 200 crores through reissues of new loans on each occasion at least in three stages and secure even Rs 600 crores. With the likelihood of extra subscriptions through National Development Bonds for Rs 100 and 150 crores, the possible shortfall in resources by Rs 400 crores due to repayment under CDS and smaller direct tax receipts will be more than offset. Some part of the shartfall that may arise on account of the difficulties in utilising foreign exchange resources for Rs 800 crores may also be overcome. The central budgetary position can, therefore, be comfortable and only in the last two or three months difficulty may be experienced in regard to the availability of resources the draft on foreign exchange reserves i not upto expectations and expenditur also is maintained at high levels.

In these circumstances it will only b proper if state governments are helped t gather additional funds. Though it i generally expected that there may not b reissues for more than Rs 50 crores, ther is no reason why these cannot be made fo Rs 100 crores as the capacity of the gil edged market has enlarged substantiall and there is an unsatisfied demand fo gilt-edged securities. As the centre ha already made large advance payments fo reducing the overdrafts from the Reserv Bank and even after the floatation of new state loans, these overdrafts stood a Rs 203.07 crores on September 9, 1977 the implementation of plan schemes wil be seriously delayed if the gap in resour ces is not minimised without delay.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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The Manager,
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CAPITAL'S CORRIDORS

C. Raghavan

Monitoring prices • The rolling plan • The Passport Act and professional prejudices

THE CABINET has set up another subcommittee to monitor the price situation even as public discontent over rising prices has begun to boil over. The rallies and meetings staged all over the country by the Congress party, and the spectacular way Mrs Indira Gandhi has staged a comeback on the political scene are indicators of the public discontent.

At one of the very first meetings of the cabinet, some time in April, after a long but desultory discussion on the economic and price situations, a subcommittee of the cabinet was set up to go into the matter in detail and come up with suggestions. The subcommittee was headed by the Home minister, Mr Charan Singh, and included Mr Mohan Dharia and Prof. Madhu Dandavate.

It is not clear whether this subcommittee ever came up with any concrete measures. But soon after this subcommittee was quietly expanded and charged with the task of going into the entire amut of wages, incomes and prices.

And, now, after first denying that there ere price increases, then explaining that e rate of increase after the Janata came power was less than it was during the st year of the emergency, and blaming all on seasonal factors (Mr H.M. Patel's est pronouncement), the cabinet has set a subcommittee under the Defence minis-, Mr Jagjivan Ram, to monitor and ggest measures to stabilise prices!

It is explained in some government circs that the first committee under Mr aran Singh is charged with evolving g-term policies and the latest under Jagjivan Ram is to come up with rt-term remedies.

Meanwhile the prime minister has promised that the price situation would be brought under full control by the time of the next budget (February 29, 1978) which will also be Morarjibhai's quadrennial birthday according to the Roman calendar.

* *

The "rolllng plan" decision throws a great deal of light on the methodology of the Janata government and its decision-making.

When the Janata government was formed in March this year, it was announced that it would end the concentration of decision-making in the hands of the prime minister that had characterised the previous regime. Towards this end, it was announced, the prime minister's secretariat and its functions would be pruned and cut to size and power given back to the departments and ministries. The prime minister's secretariat was accordingly re-named the prime minister's office, though it was later discovered (or in the process) that there was not really much scope for cutting down the staff.

However one publie posture was that hereafter decisions would no longer be taken by the prime minister or those around him, but would come up after discussions at various levels of the government, including finally the cabinet.

In the case of the rolling plan, as far as could be made out after inquiries in various quarters, the following would appear to be the chronology:

The first meeting of the reconstituted Planning Commission had before it some papers about the sixth Plan and the approach. At that meeting the prime minister, Mr Morarji Desai, who is the chairman of the commission, would appear to have complained that the paper (prepared from within the commission) did not indicate any change from the previous approaches. The idea perhaps was that the Planning Commission should have prepared a paper for consideration based on the Janata's approach to economic planning.

Technocrats in the Planning Commission argue that if the Janata's election manifesto were to be taken as the Janata's approach to planning or as Janata's economic policy, the paper the commission had prepared was not only not incompatible but fully compatible with it. But the real problem was, and is, that the Janata government has been unable to evolve an economic policy framework. The needs of political compromises in the coalition that the Janata is have produced a hotch-potch of ideas ranging from *laissez faire*, capitalist planning, demand for socialism and social justice without tears to radical Gandhian economics.

political compulsions

In any event, after the first meeting of the Planning Commission, the prime minister would appear to have made comments to his own staff about the problem. There was also the compulsion, political perhaps, on the Janata of ending or winding up the fifth Plan, on the ground that it had been drawn up by the Indira Gandhi government and the Congress party.

The rolling plan idea would appear to have come up in this context. It is not clear whether the prime minister's principal secretary, Mr V. Shankar, had anything to do it. The Defence ministry, when Mr Shankar was the Defence secretary, would appear to have brought up the "rolling plan" concept to give flexibility to its targets and plans, within the discipline of a five-year Plan, mainly because its plans necessarily depended on what India's enemies were doing and might need constant revision.

The next step would appear to have been taken at a cabinet meeting in August. The item reportedly was NOT on the agenda and some of the economic ministers were not present either. Towards the end of the meeting, after the agenda had been disposed of, the prime minister would appear to have mentioned that

there was general agreement that the current plan should be terminated in the current year, before its full life, and a new plan evolved within the Janata's policy framework. The concept of a rolling plan would appear to have been mentioned. One or two ministers present at the meeting do not however recall this.

When this was reportedly minuted as a decision of the cabinet, the Planning Commission would appear to have objected. Some of the members reportedly pointed out, to the Cabinet secretary perhaps, that even if the cabinet could take a decision on such a subject on purely political considerations, the Planning Commission itself should have been consulted before-hand.

technocrats' impression

In any event, before the full meeting of the Planning Commission in September, the second since it was reorganised by the Janata government, both the Commission's approach paper or ideas about the sixth Plan and the paper prepared (by the Cabinet secretariat?) about the rolling plan were reportedly there. Within the Planning Commission at least the technocrats would appear to have been under the impression that there would be a full debate and discussion on the issue at the meeting.

Perhaps the Planning Commission member had prior discussions with the prime minister or his advisors. Perhaps the various pros and cons were discussed and settled informally.

However at the meeting itself, without much discussion, the rolling plan concept was accepted and the decision was made public through a press release.

At the next meeting of the cabinet, this decision was conveyed. It would appear that several ministers raised objections. The mild-mannered Mr Atal Behari Vajpayee would appear to have protested —though there is dispute whether he really 'walked out'—that the way the cabinet was being "informed" about a "decision" purportedly taken by the Planning Commission, which was only an advisory body, showed that the government was functioning just like under Mrs Gandhi. Other ministers concerned with economic affairs, including Mr Mohan Dharia and Mr Biju Patnaik, also reportedly raised objections and there was a heated discussion. The cabinet adjourned without taking a decision. Perhaps there were some more informal discussions amongst individual ministers. But in any event the cabinet at its next meeting approved the rolling plan concept.

This still leaves various issues unsettled. The fifth Plan was approved (whatever the shape it is in now) by the previous parliament but even more by the National Development Council.

What happens now if the non-Janata governments in the states refuse to accept the central ukase in the form of the cabinet's decision to wind up or adandon the fifth year of the fifth Plan and go in for the rolling plan concept? Would not the rolling plan—given the lack of organisational and information setup in the state planning machineries—become an instrument not only of a flexible target that would be constantly revised downwards to suit the union Finance minister's budgeting problems, but of centralisation.

In the coming weeks and months this is going to assume the contours of a major debate with high political and economic overtones and with inevitable impact on centre-state relationships.

* *

For almost three weeks, a seven-member constitution bench of the Supreme Court has been addressing itself to the question of the validity of the Passport Act. The case has arisen out of the government's decision to impound the passport of Mr Maneka Gandhi, wife Mr Sanjay Gandhi in public interest. No reasons were given and there was no prior hearing or notice to Mrs Maneka Gandhi who chose to move the Supreme Court for enforcement of her fundamental rights guaranteed under Article 19.

If it was merely a problem involving Mrs Maneka Gandhi, it does not merit mention. But the case has raised many important issues of liberty and fundamental rights of citizens. Though only a comparatively junior lawyer has appeared for Mrs Maneka Gandhi, the Attorney-General, Mr Gupte and the Additional Solicitor-General, Mr Soli Sorabjee, have been appearing for the government. The constitutional issues and niceties are obviously troubling the judges. They have heard the case at some length. The judges have been questioning both the Attorney-General and the Additional Solicitor-General very closely. As one of their junior lawyers put it, the two law officers have been "badgered". The government has been forced to disclose to the court that Mrs Maneka Gandhi's passport has been "impounded" not because there is any case against her, not because the law enforcement machinery suspects something against her, but on the ground that she may be needed as a witness in some pending inquiries. In this process, her right

Eastern Economist 30 Years Ago

OCT. 3, 1947

The publication of the second annual report by the International Bank provides a suitable opportunity for reviewing its activities and examining in what measure the bank has fulfilled hopes and disappointed expectations. Ever since its inception the bank has been encountering serious obstacles to the commencement of its operations. At the very outset there was an unpleasant controversy as to the powers and responsibilities of its president and his relationship with the board of governors. There were successive changes in the chairmanship and it was some months before a stable chairman could be found. Financial circles in the United States were looking upon the bank with a certain degree of coolness and suspicion. Statutory impediments to the purchase of the bank's securities by American financial institutions had also to be reckoned with. From the second year's report under review. it is clear that several of these obstacles have been overcome. The bank has commenced its operations both as a lender and as a borrower. It has developed and clarified many of its basic policies and procedures. It has successfully acquainted the American public with its own organization and basic purposes. It has succeeded in inducing the American public to buy its bonds to the tune of $250 million in the middle of July this year.

to a passport and travel (and thus of all potential witnesses is potential inquiries) are less than those of a potential accused. Even more, the case has raised questions about the powers of the government to refuse or impound a passport "in public interest". Could the government, for example, impound a citizen's passport if he or she wants to migrate from India to work elsewhere—either because he cannot get work in India or refuses to work in India.

All that I have said above is essentially second-hand based on what lawyers on both sides have told me.

But the point I am trying to make is that newspaper readers around the country are blissfully ignorant of these issues or even that the court is considering them. *Samachar* has a regular staff correspondent covering the court beat, and *Samachar's* New Delhi bureau has some 40 reporting staff available—most of whom have no work now and any one or more could easily have been assigned to this. Three of the country's leading newspapers have also regular staffmen covering the beat, and at least three other newspapers have lawyers functioning as legal correspondents.

Yet not a line has appeared.

Maybe the reporters (a cartel?) decided it was all too much bother reporting the case day to day. Maybe they thought since Mr Sanjay Gandhi and Mrs Indira Gandhi gave us all so much trouble, the daughter-in-law could have a taste of what we all went through.

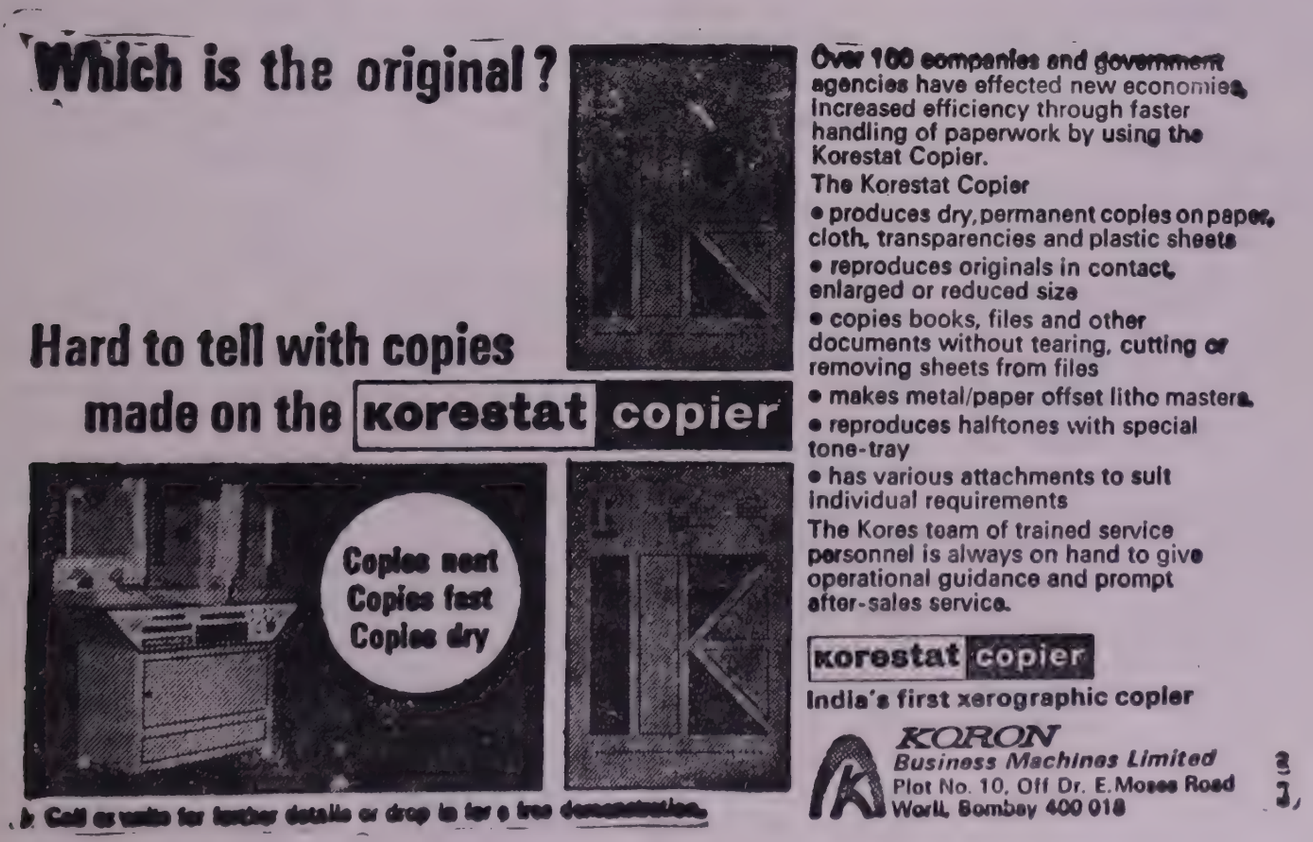
But the case goes beyond all these and involves very fundamental issues. It might even involve issues first settled in 1950 in the A. K. Gopalan case against the citizen and his rights to liberty, reopened in the bank nationalisation or Cooper case and settled in favour of the citizen's property, and glossed over in the MISA cases.

If the case had been reported from the beginning, I am quite sure any number of people, whose rights to travel are affected—like the job-seekers of Kerala—might have tried to intervene and persuade the supreme court to go into all the issues and enlarge the citizen's liberties.

But here is an instance in which journalists and publishers have functioned as if information and news is a commodity whose marketability would be decided by them on the basis of their professional misjudgements or prejudices. Here is a case where even political and legal information has a social purpose that was lost sight of.

Even if there had been two Samachars, instead of one, there would have been no difference. What happened here was a cartel at reportorial level (or was it higher levels?) acted informally to ignore the case. It might not have happened if all the major newspapers had independent correspondents covering this beat, and if editors had been vigilant.

The court has reserved judgement in the case and its judgement would be awaited with interest.



Changing assets of rural households : 1961-71

S. P. Chopra

A comparative study made by the Reserve Bank of India has come to conclude that a village development plan should be instituted to bridge the gap between the cultivators and non-cultivators of the rural economy alongside improvement of productivity and diversification of the economy. The author however feels that it should be ensured that the funds pumped into rural areas reach the deserving households, which has not been the case with the programmes implemented so far for their benefit.

THE ANNUAL or monthly income of a household is usually taken as the measure of its poverty or affluence but the value of assets owned at a point of time is also an equally reliable indicator in this regard. In order to find out whether the extent of poverty or affluence in rural households had increased or decreased during the decade 1961-71, the Economic Department of the Reserve Bank of India analysed the information thrown up by the All-India Debt and Investment Survey, 1971-72 (AIDIS) and compared it with the findings of the earlier All-India Rural Debt and Investment Survey, 1961-62 (AIRDIS). The results of the comparative study have been published in the latest Occassional Papers (June 1977)—a periodical of the Reserve Bank of India which makes its appearance twice a year.

the limitations

Understandably, the conclusions drawn from the analysis are subject to a number of limitations. The first most important limiting factor is the sharp increase in the prices of all the non-financial assets. The readjustment of the values of assets in 1971 at the level of prices prevailing in 1961 has proved to be a difficult task since no acceptable price deflators are available in relation to most of the items of assets. Second, during the decade under review the political boundaries of some states were redrawn as a result of reorganisation; it made the fixing of the basis of comparison somewhat hard to deal with, particularly in the cases of Punjab, Haryana, Himachal Pradesh, Assam and Meghalaya. The third limitation was the difference between the estimated number of rural households on the basis of AIDIS which was about 2.5 million lower in relation to the 1971 census. In the case of the AIRDIS, there was no such discrepancy because the rural households in the 1961 census formed the basis of the study. Thus, there was some lack of uniformity in coverage in the two studies.

The assets of households included in the two surveys were: (1) ownership and special rights in land; (2) buildings; (3) livestock; (4) agricultural implements and machinery; (5) non-farm and transport equipments; (6) durable household assets; (7) dues receivable or loans advanced in cash and kind, and (8) financial assets such as national plan saving certificates, government securities, shares and debentures of companies and cooperative institutions.

POINT OF VIEW

For making a comparison between the two surveys, certain broad assumptions were made. For example, it was presumed that ownership of assets worth Rs 2,500 in 1971 would yield an income just adequate to provide the bare necessities of life and that these assets would be equivalent to the value of assets at Rs 1,000 in 1961. As stated earlier, no price deflators for most of the assets being available, the analysts had no option but to adopt a rule-of-thumb approach in this regard.

A study of the distribution of all households among cultivator and non-cultivator during the decade under study did not show much variation. There was a marginal decline by one percentage point to 72.4 per cent among cultivator households. This meant an increase in the non-cultivator households from 26.6 per cent in 1961 to 27.6 per cent in 1971 (see Table I). Statistically speaking, the difference was not significant as it could be due to a number of causes. In view of the land reform measures taken by the state governments and also on account of the Bhoodan movement in certain states it was expected that the number of cultivator households in the country would increase.

significant increase

In six of the 15 states—Assam, Bihar, Kerala, Jammu and Kashmir, Madhya Pradesh and Orissa—the proportion of cultivator households to total households showed a significant increase, and the ratio in 1971 varied from 72.2 per cent in Orissa to 93.9 per cent in Jammu and Kashmir. In Gujarat where the number of rural households registered the largest increase, the rise in both cultivator and non-cultivator households was also relatively large.

The percentage of small cultivators (having less than one acre of land) did increase from 14.4 per cent in 1961 to 24 per cent in 1971 due to the transfer of ownership rights to tenants, land ceiling legislation and re-distribution of surplus land. The state-wise comparison brings out the uneven manner in which shifts in ownership of land took place. In Punjab, the proportion of cultivator households having no land decreased from 16.3 per cent to 1.3 per cent. Similarly, cultivator households with land over 25 acres commanded a reduced share. It is presumed that the prosperity in agriculture encouraged successful cultivators to enlarge their holdings either through purchase or through getting back the land leased out or mortgaged to others.

The two surveys revealed that the num-

ber of cultivator households who did not have any of the enumerated assets rose to about 11,C00 in 1971 from about 5,000 in 1961. Keeping in view the fact that the number of cultivator households studied was about 69 million in 1961 and 77 millions in 1971, the extremely small number of assets-less households was not of much consequence.

The rate of growth in non-cultivator households by 16.3 per cent between 1961 and 1971 was much faster than that of the cultivator households at 10.8 per cent. It shows that very small and marginal farmers in some states lost ownership of land and swelled the ranks of the non-cultivator households.

The share of land in the total assets of cultivators rose from 68.3 per cent in 1961 to 68.6 per cent in 1971 (see Table II). The Reserve Bank has conjectured that "this increase might perhaps be the result of imputed value of land due to increased productivity, improvement in irrigation facilities, adoption of high-yielding varieties, timely distribution of inputs like chemicals, fertilisers, pesticides etc. and liberal extension of credit". What was significant was that the proportion of agricultural labour households who owned land declined from 12.6 per cent in 1961 to a mere 5.5 per cent in 1971.

The value of land recorded the highest increase in Punjab where from Rs 997 per acre in 1961 it rose to Rs 6,291 per acre in 1971. The lowest increase in land prices was recorded in Rajasthan from Rs 610 per acre in 1961 to Rs 685 per acre in 1971.

After land, the most important asset for cultivator households is "buildings and house-sites". As a percentage of total assets, there was a marginal decline from 18.8 per cent in 1961 to 16.9 per cent in 1971. Thus, land, buildings and house-

TABLE I

Composition of Rural Households: 1961-1971

States	No. of rural households			Cultivator households as % of rural households in		% increase or decrease (—) in cultivator households in 1971 over 1961	Non-cultivator households as % of rural households in		% increase or decrease (—) in non-cultivator households in 1971 over 1961
	1961 in (000's)	1971 in (000's)	% increase or decrease (—) in 1971 over 1961	1961	1971		1961	1971	
	1	2	3	4	5	6	7	8	9
1. Kerala	2503	2604	4.0	80.5	89.7	16.0	19.5	10.3	—45.2
2. Assam*	2043	1937	—5.2	75.4	81.6	—2.6	24.6	18.4	—29.0
3. Orissa	3347	3672	9.7	71.1	77.2	19.1	28.9	22.8	—13.3
4. Madhya Pradesh	5628	5915	5.1	78.6	82.0	9.6	21.4	18.0	—11.4
5. Jammu & Kashmir	532	558	4.9	91.2	93.9	8.0	8.8	6.1	—27.7
6. Bihar	7639	8630	13.0	78.2	80.4	19.9	21.8	19.6	1.3
7. Maharashtra	5520	5994	8.6	68.2	68.6	9.3	31.8	31.4	7.1
8. Rajasthan	3134	3131	—0.1	86.7	86.8	Neg.	13.3	13.2	—1.0
9. West Bengal	4923	6081	23.5	67.0	65.8	21.3	33.0	34.2	28.1
10. Uttar Pradesh	12099	13709	13.3	80.0	77.8	10.1	20.0	22.2	25.9
11. Andhra Pradesh	6254	6690	7.0	65.4	61.6	0.8	34.6	38.4	18.7
12. Gujarat	2826	3774	33.5	67.8	64.0	26.1	32.2	36.0	49.3
13. Kanataka	3374	4174	23.7	73.3	68.7	16.0	26.7	31.3	44.8
14. Tamil Nadu	5431	6433	18.4	63.0	55.4	4.0	37.0	44.6	43.0
15. Punjab**	2760	2609	—5.5	58.9	49.9	—19.9	41.1	50.1	15.3
All-India	68639	77035	12.2	73.4	72.4	10.8	26.6	27.6	16.3

* Inclusive of Meghalaya. ** Inclusive of Haryana.

sites constituted 82.1 per cent of the assets of cultivator households in 1961; a decade later the proportion rose to 85.5 per cent. It pointed to the supreme importance of these assets followed by livestock, durable household assets and farm and non-farm implements. The financial assets constituted only 0.5 per cent of all assets in 1961 but their share increased marginally to 0.8 per cent in 1971.

The proportion of households reporting complementary productive assets such as livestock, implements and machinery dropped over the period under review particularly in the states of West Bengal, Bihar and Kerala where small-sized holdings predominated. The small increase in the share of farm business implements in the total assets suggested that big cultivators invested more in mechanised implements such as tractors and pumpsets.

The canalisation of rural savings into financial institutions is a slow process, depending not only on availability of sur plus funds with rural people but also o their choice between acquisition of finan cial assets such as shares and deposits an investments in land, farm buildings, imple ments etc. The total financial assets o rural households as at the end of Jun 1971 amounted to Rs 930 crores (Rs 79 crores by way of deposits and Rs 140 cro res by way of shares), constituting barely 1.1 per cent of total assets. Cash due receivable by rural households amounted

TABLE II

Cultivators: Pattern of Asset Holding, 1961 and 1971

	1961		1971		Percentage share in the total value of all assets	
	Proportion of house-holds reporting	Estimated No. of reporting households (000)	Proportion of house-holds reporting	Estimated No. of reporting households (000)	1961	1971
	1	2	3	4	5	6
Land	73.85	37182	93.71	52262	63.3	68.6
	21.66*	10905*				
Buildings & house-sites	98.86	49774	98.42	54839	18.8	16.5
			9.06@	5053@		0.4
Livestock	89.25	44936	87.63	48793	7.7	6.5
Farm implements	95.08	47871	87.31	48693		
Non-farm implements	19.18	9657	6.49	36.19	2.7	2.7
Transport equipment	31.41	15814	29.99	16725		
Durable household assets	98.50	49593	96.17	53550	5.6	4.2
Financial assets	25.76	12970	—	—	**0.5**	**0.8**
Shares	N.A.	N.A.	17.69	9849	N.A.	0.2
Deposits	N.A.	N.A.	6.28	3541	N.A.	0.6
Dues receivable	N.A.	N.A.	N.A.	N.A.	**1.4**	**0.3**
Cash	9.79	4929	3.60	1985	1.3	0.3
Kind	1.28	644	0.93	519	0.1	—
Total assets	99.99	50343	99.98	55759	100.0	100.0
		(50348)		(55770)		

Note: (1) Figures in brackets indicate total number of cultivator households. (2) Data for 1961 & 1971 relate to end-December & end-June, respectively.

N.A. = Not available. — = Nil/Negligible

* Figures for land under special rights.

@ Figures for vacant house sites.

of total assets.

The deposits of Rs 790 crores held by rural households formed 85 per cent of the total financial assets, but only 0.9 per cent of total assets. Only 6.8 per cent of rural households had deposits, an average of Rs 103 per households. Deposits comprised provident fund contributions of Rs 275 crores, insurance premia of Rs 152 crores, commercial bank deposits of Rs 136 crores, deposits of Rs 20 crores with co-operative banks, post office deposits of Rs 95 crores and other deposits of Rs 112 crores.

Investments in shares totalled Rs 140 crores, forming 15 per cent of total financial assets; the highest proportion of 40 per cent of households reporting this assets was from Punjab. The average investment per household in Punjab, Maharashra and Gujarat was three to four times the all-India average of Rs 18. About 94 per cent of investments in shares was in the form of cooperative bank shares. Investments in UTI units amounted to Rs 35 lakhs.

meaningful study

In order to measure the degree of change assets over the period under reference, he analysts have computed concentration atios (CR) based on the Lorenz Curve. n the case of cultivators, this ratio declined from 0.5976 in 1961 to 0.5847 in 971 suggesting a relatively more equitble distribution of assets over the decade. The same ratio for all rural households ointed to an increase in inequality as the oncentration ratio value moved up from .6524 in 1961 to 0.6551 in 1971. The tudy of these ratios becomes meaningful n view of the policy of the government to educe inequality in income and wealth n society. Some measures were taken in he states to achieve this objective includng the land reforms to make the tiller of he soil the owner thereof. Efforts were lso made to bring within the grasp of the mall cultivators the various physical nputs required for farm operations and lso to make increased institutional credit vailable to them. The cultivators with nedium and large holdings were in a betr position to benefit from these measures.

It was the existence of a large proportion of non-cultivator households with productive assets of negligible value and with all the uncertainties of rural employment which resulted in bringing about unequal distribution of assets among rural households.

changing status

Besides the study of assets in all rural households and cultivator and non-cultivator households, an attempt was made by the Reserve Bank to highlight the changing status of poor households. A poor household has been defined as one having total assets of less than Rs 2,500 in 1971 and of less than Rs 1,000 in 1961. During the decade under reference, the total number of poor rural households increased by 6.4 million to 27.1 million forming 35 per cent of the total rural households in 1971 as against 30.1 per cent in 1961. Measured by this criterion of poverty, the ranks of the rural poor households had increased in the decade instead of declining.

The Reserve Bank study has attempted to list the causes of the increasing numbers of poor households. It is of the view that apart from the impact of inflationary increase in prices on the assets of the poor during the decade, there were four other factors which brought about a fall in their economic status. They were: (i) partition of joint families; (ii) drought or flood conditions in some of the states; (iii) seasonality of agricultural operations in some states which kept the labourers without any employment during the off-season: and (iv) inadequate growth of small industrial units in rural areas which could provide employment opportunities.

In some states such as Punjab, Uttar Pradesh and Bihar the rise in the growth of the rural poor households was however halted. The percentage of cultivator households among these poor households declined slightly from 39.5 per cent in 1961 to 38.1 per cent in 1971, though in absolute terms their number increased by about 2.2 million. On the other hand the percentage of non-cultivator poor households increased from 60.5 per cent to 61.9 per cent or by about 4.26 million households.

The number of destitutes multiplied three-fold during the decade; these were households who did not have any of the enumerated assets. Their total number stood at 298,000 in 1971. They were mostly to be found in such states as Andhra Pradesh, Gujarat, Karnataka, Kerala, Orissa and West Bengal. Broadly the same reasons were responsible for perpetuating destitution as were responsible for increasing poverty in most of the states, particularly the emergence of very small tenant cultivators, the increase in the number of casual labourers and drought and flood conditions in some parts of the country. In Maharashtra where small industrial complexes were developed in various parts of the states the number of destitute households (who did not have any of the enumerated assets) declined from 15,500 in 1961 to 10,640 in 1971. This also happened in Assam where the number of destitutes declined from 1,800 in 1961 to 700 in 1971.

development plan

The upshot of the analysis, according to the Reserve Bank, is to institute a village development plan "for bridging the gap between the two sectors viz. the cultivators and non-cultivators of the rural economy". Says the Reserve Bank: "Simultaneously with attempts to improve the productivity of land, diversification of economic activity in the villages by providing sufficient employment opportunities to agricultural labourers, should be encouraged. Small agro-based industries, workshops for maintenance of implements and machinery, house building activity, village road construction, etc., are other schemes which would provide adequate employment to rural people during the off-season."

Surely, a scheme of rural industrialisation can result in improving the level of living of the non-cultivators, but one central point which has been missed is that all the funds so far pumped into the rural economy have failed to reach the needy because of the barrier of illiteracy. The banks have in recent years been directing an increasing flow of funds to the rural areas but they do not reach the deserving households in full measure because the go-betweens take undue advantage of the ignorance and illiteracy of the village folk.

Ends and means of inventory management

Vinoo M. Modi

In this paper presented at a discussion on Materials Management as A Tool of Corporate Profitability, organized by the Forum of Free Enterprise, Bombay, Mr Vinoo M. Modi, Administrative Manager of Cibatul Ltd., Bulsar, discusses techniques of inventory planning and control which are matters of urgent interest in these dear money days.

THE INVENTORY planning, inventory control and its administration are not new to present genre of managers. The ad hoc determination of levels, implementation of economy in purchasing and controlling costs alone has now changed to methodical planning and logical conclusions and selective vigilance.

Generally, the definition of "risks of inventary" would mean and include deterioration during storage, spillage during handling and losses due to price fluctuations. In practice, we do accept these risks and also incur costs as rent, insurance and interest on capital blocked.

the third dimension

The costs and risks are comparable to the two dimensions of a picture of inventory planning. The picture lacks the third dimension of depth which can be defined as importance of an item.

The study of importance can be carried out by analysing the probability and severity of "stock-out" i.e. damaging effect of not having an item in stock when needed.

In the absence of any other criterion for evaluation of inventory policy, the managers do their best to minimise the costs and limit the risks, as far as possible. In effect, these managers increase the risk of "stock-out".

Since the cost and risks of carrying inventory can be evaluated and quantified, it would be necessary to evaluate and quantify the cost of and risks of not carrying inventory or not having an item when it is needed for determination of safety stocks, buffer stocks and reserves.

Evaluation of stock-out risks require three steps:

—Search of items which have a tendency to reach nil or near nil level, or have in fact reached such levels in the past.

—Rating of probability of such event.

—Rating of severity in such cases.

The main goal is to look for items or groups of items and causes which may lead to fast consumption or slow supply of them. This is the most demanding part of analysis. Therefore, effective teamwork and proper working methods are of prime importance. Stock movement records of the past provide a working agenda. Examination of characteristics of individual items has no short-cut. The items of single source of supply, extremely unusual and precise design or specifications with long production time will find themselves in this area. They should be taken up for study initially. Substitution of these items, by selecting similar items with several sources of supply, ordinarily simple to design and standard specifications which can be available ex-stock from nearby places would reduce the risk substantially if not completely.

preventive maintenance

Similarly, with improved training and preventive maintenance techniques, the fast sporadic consumption and wastage of materials can be minimised. This will also help reducing considerably the risk of machinery breakdowns due to overworking or mishandling of equipment.

The people in the production and engineering department cannot be satisfied with an objective of servicing certain percentage of requisitions. They will consider what are the chances of their particular requisition slip being serviced. The normal tendency of operative personnel carrying secret sub-store to insure against the risk of return of such slip, not only amounts to hidden cost but also defeats the purpose and economy of centralised service and control. It is no doubt difficult to determine the probability due to hum error and difference in individual es mates. However, for every incident least a rough estimate has to be made. may be remembered that with freque small purchases, the probability of runni out of stock will increase and it w decrease with planned consumption.

The probability will have to be es mated under both normal and extre conditions to determine the level of buff stock. Even extreme conditions can met if they are anticipated with a fa rate of accuracy.

extreme instances

The extreme conditions and instanc of stock-outs are seldom sudden. The assume importance over a period an result in work-stoppage only if the ear indicators are neglected or overlooke It is true that the time available betwee the warning and incidence is not alway sufficient or uniform.

The warning indicators can be unusua ly high consumption of related items o use of the built-in safety stock. Thus the crisis can be estimated some time i advance through one of such indicators, can be avoided or met properly withou facing a stock-out.

Finally, every possible event of "stock out" has to be evaluated as to its severity The severity of a possible event usuall determines the level of safety stock to b maintained. As severity of "stock-out cannot be expressed in terms of money It must be described by the damage o disruption it will cause to the work and t equipment; for instance, total stoppage o activities, partial stoppage of either son section or certain process, requiring use o expensive substitute, delay of output o just inconvenience to people. It is als possible to express severity on a scal from 1 to 100 or in terms of rupees o mandays lost.

The severity of stock-out is likely to b increased with large number of section

using one item and also if it is required at different stages of work.

Depending upon the severity of the risk, the managers are likely to incur additional cost in expediting the delivery, using fast communication methods, personal follow-up and employing quick transportation, over and above the extra price they may have to pay for the same. Thus the problem described earlier becomes very clear now. In an attempt to minimise costs and risk of carrying larger inventory, the costs and risk of not having an item in stock are maximised. The cost and risk of this second type are greater with important items and are nearly absent in the case of only preferred or desirable items.

Once this aspect of importance of an item is realised, the risk of "stock-out" should be avoided for really important items (I) by even incurring additional costs on carrying the inventory of such items.

It may also be worthwhile to stock up small value, small bulk items and reduce the area and scope of dangerous zone, as the cost of carrying the inventory of such items is likely to be insignificant.

The stocks of items on the scale down below, like moderately important items at the middle and preferable or desirable items at the bottom—can be reduced safely, as their stock outs are not likely to hurt much.

The introduction of importance aspect to the cost and space aspects is not going to end your problem. The decisions have to be continuously made, modified and superseded by constant vigilance over the movement of the inventory, working of the plant, expansion of activities and introduction of new equipment because all these will change the importance status of items in inventory on the IMP scale.

The results of the two dimensional analysis into the classification A, B & C, duly modified to take into account the physical storage limitations should be again tested for importance according to the level of risk.

The illustration below shows the possible deviation from the two dimensional policy of one month, two months and six months stock (or 15 per cent, 25 per cent and 60 per cent of annual requirements) respectively for items in classes A, B and C.

	A	B	C
Important items	25	35	100
Moderately important	15	25	60
Preferable or desirable	5	15	20

While the percentages of 15, 25 & 60 have been retained for items of moderate importance, these have been raised to 25, 35 and 100 for really important items where the risk of stock-out is greater and reduced to 5, 15 and 20 of the preferable lot, to compensate for the increased investment.

All planning will have a certain amount of certainty, a small area of known risk and also some uncertainty or unknown risks. Inventory planning can be no exception. Our attempt should be to reduce the area of uncertainty and gradually increase the extent of certainty, keeping the risk to the bare minimum.

Sal seed : its possibilities for the national oil economy

Dr M. M. Pant, IFS

Forest trees can be a perennial source of oil. The author who is Forest Economist and Utilisation Officer, Forest Research Institute and Colleges, Dehra Dun, discusses the possibilities of sal seed as a source of oil. Sal seed oil is one of our export items now. Here in the country it is used primarily in the soap industry but tribals use it as a cooking medium also.

THE EXISTING scarcity of oilseeds in India poses a major problem to our economy. The paramount need of the hour is therefore to mobilise and tap systematically all available indigenous resources of oil, both known and those remaining obscure hitherto. The seeds of certain forest trees available in prolific abundance are known for their rich oil content. Little has been done so far to harness the positive benefits these promise. Their planned exploitation can most profitably lead to a substantial rise in the country's overall oil output. The relief thus accruing to the country's oil resources is bound to ease considerably the growing demand for imports as well as the stress of soaring prices.

Among the trees of forest origin currently known for their oil bearing seeds are: *Sal* (*Shorea robusta*), *Mahuwa* (*Madhuca longifolia*), *Neem* (*Azadirachta indica*), *Karani* (*Pongamia pinnata*), *Khakan* (*Duabanga grandiflora*), *Khokam* (*Garcinia indica*), *Kusum* (*Schleichera oleosa*), *Nahor* (*Mesua ferrea*) and *Undi* (*Calophyllum inophyllum*). The seeds of certain horticultural species, such as peach (*Prunus persica*), apricot (*Prunus armeniaca*), plum (*Prunus domestica*), cherry (*Prunus avium*) and mango (*Mangifera indica*) are also rich in oil content.

The advantage of utilising seeds of forest trees as a source of oil is the ready availability in abundance of the raw material year after year as a subsidiary product from trees primarily nurtured for valuable industrial timber, firewood, edible flowers and fruits. The Indian Space Research Organisation, in 1976, developed a low pressure process for conversion of tree seed oils into petroleum fractions at low cost. The discovery has brought the tree seeds, by and large of forest origin, into the limelight as a renewable source of petrol and petrochemical products.

Utilisation of seeds is, therefore, of paramount importance: seed not collected means oil resources lost to society for all time to come!

The annual seed and oil potentials for forest trees are detailed in Table I.

This article discusses the edible oil possibilities from sal seed. The observation made herein may hold some significance for drawing up schemes for the purpose of supplementing the oil supplies as well

as generating additional employment opportunities and income.

One of the salient items added to India's exports' list during 1975-76, was sal seed oil. India exported 2611 tonnes of oil at prices over Rs 10,000 per tonne. In view of further developments expected in converting sal seed fat into a substitute for cocoa butter in confectionery (being similar to Borneo tallow obtained from kernels of *Shorea stenoptera*), sal seed prices are expected to rise further, in the near future.

uses of sal oil

Indigenously, sal seed oil is primarily used in the soap industry. Locally, the tribal people use it like hydrogenated oil for cooking food. It is used as softening agent in textile sizing and as a source of stearic acid. The deoiled sal meal is used for making cattle and poultry feed.

Sal forests occur in northern and central India in two almost continuous belts on either side of the Gangetic plain. The total area under sal forests is estimated at 116,000 sq. km. (Joshi, H.B., 1977).

As a rule, flowering and fruiting of sal trees begin when trees attain a diameter (at breast height) of about 20 cms. This varies from one locality to another, depending on site quality, climatic factors and genetic behaviour of trees.

Sal is a medium seeder with periodic good seed years usually at an interval of five to six years. A bad seed year occurs once in five to six years. An estimate of the present potential availability of sal seed, sal fat and deoiled meal on the basis of average seed yields taken at 13.7 kgs and 3.1 kgs per tree in good, moderate, and bad seed years respectively and with 7200 fruiting trees per sq km, (considering only the presently exploitable sal forests) is given in Table II.

The actual collections of sal seed for the period 1969 to 1975 are reported in Table III.

The main causes for low collection are; unavailability of adequate manual labour for seed collection due to agricultural and forest plantation activities during the collection period; inadequate administrative storage and marketing facilities and lack of proper organisation for collection.

The sal seed kernel contains roughly 12.5 to 18.5 per cent of oil and its recovery varies with the process employed for extraction. Several processes have been tried for the extraction of oil from decorticated seeds. Some of these are briefly discussed below:

(1) The Process Adopted by Adivasis in Orissa: The kernel is powered by mechanical means and slowly boiled with water. The quantity of water is twice the volume of powered kernel. The oil floats on the surface of water and on cooling it solidifies and is separated. This method, however, gives low yield of fat.

(2) Expeller Method: Kernel broken to small bits or kernel powder is pres through rolls, using varying degrees temperature, moisture and pressure. Prac cally no fat is secured by this method.

(3) Solvent Extraction: This meth using organic solvents gives the high yield and so is used on commercial sca The kernels are reduced to a coarse po der, preconditioned by cooking with mo ture, followed by flaking and finally extra ting the oil with *food* grade w-hexane solvent. Direct solvent extraction of kernels results in high residual oil co tents. Flaked kernels with n-hexane cold yield 15.6 per cent to 18.5 per ce fat with low residual oil content.

The crude fat is greenish-yellow due the presence of pigments. Removal of fr

TABLE I

Annual Seeds and Oil Potential of Forest Trees in India

Name of the species (Botanical name in parenthesis)	Yearly potential of seed (tonnes)	Oil yield %	Oil potential (tonnes)	Nature of oil	Main uses
1	2	3	4	5	6
1. **Mahuwa (Madhuca longifolia)**	4,90,000	35	1,71,000	Hard (edible)	Soap, greases, softner in woollen textil edible purpos
2. **Neem (Azadirachta indica)**	4,18,000	20	83,000	Semi-hard	Soap, medi cinal
3. **Karanj (Pongamia pinnata)**	1,11.000	27	30,000	-do-	Medicinal, lea ther tanning
4. **Kusum (Schleichera oleosa)**	90,000	33	30,000	Hard	Soap, hair oi
5. **Sal (Shorea robusta)**	55,04,000	12.5	6,88,000	Hard (edible)	Soap, edible
6. **Khakan (Duabanga grandiflora)**	46,000	33	15,400	Nut oil	Soap, dyeing industry
7. **Khokam (Garcinia indica)**	2,000	40	800	Hard	Edible, soap
8. **Nahor (Mesua ferrea)**	5,700	40	2,300	Semi-hard/ soft	Medicinal, soap
9. **Undi (Calophyllum inophyllum)**	3,800	60	2,300	-do-	Medicinal, soap leather tanning, lubricant for cart wheel

Source: For columns 1 to 5: Director, Oilseeds Department, Telhan Bhavan, Himayat Nagar, Hyderabad, 1976.

acids and pigments is essential and this is done with caustic soda solution and bleaching with tonsil earth (2.0 per cent) and active carbon (0.2 per cent). The chemical composition of the edible portion is:

Moisture 10 per cent; protein 8.4 per cent; fat 11.8 per cent; minerals 1.0 per cent; fibre 2.5 per cent and carbohydrates 66.3 per cent.

After extraction of fat from kernal, about 84 per cent to 85 per cent of deoiled sal meal is left. It is reported to have the following composition:

Moisturs 8 to 9.5 per cent, protein 8 to 9 per cent, free reducing sugars 8 to 9 per cent, starch 29.5 to 36 per cent, total carbohydrates 54 to 58 per cent, crude fibre 1 to 2 per cent, ash content 2 to 3 per cent and tannin about 13 per cent.

The tannin content render it unsuitable for cattle and poulty feeds in larger quantities.

collection process

The annual collection of matured seed is done manually during the period May 15 and June 20. By and large, only landless villagers (men, women and children) take up this job if better alternatives are not available.

Soon after collection, the seed is dried or heated to check decomposition through enzyme activity and manually or mechanically decorticated. The kernal is then powdered by mechanical means.

Sal seed kernels can be stored for a period of six months to one year after treatment with some insecticide like aluminium phosphide. The kernels are otherwise susceptible to insect damage.

The current system of seed collection and disposal in the main sal bearing states is summarised in the following paragraphs.

(1) Bihar : Over a forest area long leases have been sanctioned to private parties. In 1976 season sal seeds elsewhere were auctioned. As an experiment, during 1975, the Bihar Forest Development Corporation collected about 1000 tonnes of dewinged seeds through direct payment to the collectors, the total cost of air dry kernels was Rs 600 per tonne and its average sale price was Rs 1203 per tonne.

(2) Madhya Pradesh: The sal seed trade, along with other minor forest products was nationalised in 1975 collection season. The purchaser-agent pattern, as in vogue for *tendu* leaves, was adopted for sal seeds also.

The purchasers are appointed through tenders. In 1976 the agents were required to pay a collection rate of Rs 380 per tonne to the labourers. The sale price to the purchasers, varied from Rs 500 to Rs 920 per tonne with a weighted average of Rs 690 per tonne. During 1977 season the sale price was fixed on the basis of tenders—and it varied from Rs 568.20 to Rs 900 per tonne.

(3) Orissa: Almost 3/4 of good sal areas in the state have been given on long leases which will expire in 1979. In the remain-

TABLE II

Estimated Annual Yield of Sal Seed Kernel, Fat and Deoiled Meal in Selected States in India

Particular/Unit	Important sal tree growing states					
	Bihar	MP	Orissa	UP	W. Bengal	Total
I Exploitable sal forests (area in Sq Km)	16,752	18,841	14,367	2,884	2,616	55,480
II **Estimated Annual Yield** (thousand tonnes)						
(i) In a good seed year:						
(a) Kernel	826.2	929.2	708.6	142.2	129.0	2735.2
(b) Fat	115.7	130.1	99.2	18.9	18.1	382.0
(c) Deoiled meal	694.0	780.6	595.2	119.5	108.4	2297.7
(ii) In a moderate seed year:						
(a) Kernel	584.9	657.9	501.7	100.7	91.4	1936.6
(b) Fat	81.9	92.1	70.2	14.1	12.8	271.2
(c) Deoiled meal	491.4	552.7	421.4	84.6	76.7	1626.8
(ii) In a poor seed year:						
(a) Kernel	186.9	210.2	160.3	32.2	29.2	618.8
(b) Fat	26.2	29.4	22.4	4.5	4.1	86.6
(c) Deoiled meal	157.0	176.6	134.7	27.0	24.5	519.8

Assumption: 1. The sal fruits consist of about 15% wings, 30% husk and 50% kernels. About 5% consists of losses in weighing and dust.
2. Yield of sal fat is 14% of the weight of kernels.
3. Yield of deoiled meal is about 84% of the weight of kernels.

Source: Ledger files of the Minor Forest Products Branch, Forest Research Institute & Colleges, P.O. New Forest, Dehra Dun (UP).

TABLE III

Yearly Collection of Sal Seed

(in tonnes)

States	1969	1970	1971	1972	1973	1974	1975
Orissa	1000	1000	10000	10000	6500	30000	25000
Madhya Pradesh	1000	1500	10000	15000	30000	35000	20000
Bihar	—	—	3000	5000	10000	1000	3000
Assam	—	—	—	—	—	—	—
Uttar Pradesh	—	—	—	—	—	—	—
West Bengal	—	—	—	—	500	1000	3000
Total	2000	2500	23000	60000	47000	67000	51000

ing areas, collection of seed is done through the Tribal Development Agency.

(4) Uttar Pradesh: Collection is done through contractors. In 1976, the royalty received was Rs 50 per tonne. The royalty for the 1977 crop is not known.

(5) West Bengal: The system of granting leases expired in 1976. For the 1977 crop the seed collection is being done by Large Scale Multipupose Cooperative Societies of West Bengal.

The seed collection targets tentatively fixed (as a result of the meeting held by top executives of the forest departments and the government of India in Delhi on September 16, 1976) for the year 1977 are:

	(in tonnes)
Bihar	40,000
Madhya Pradesh	75,000
Orissa	75,000
Uttar Pradesh	18,000
West Bengal	12,000
Total	220,000

The problems of the present system of seed collection are detailed below :

(a) Labour scarcity : The collection of seeds has to be done manually within a short period of 40 days or so, This period coincides with or is immediately followed by rainy season.

During this period there is an increased demand for manual labour for agriculture and forest plantation. Therefore, only local, landless labour is available for the seed collection work.

(b) Low wages : Often the wages received are incommensurate with the labour involved in the collection process. For example, in certain parts of Assam and Orissa the contractors reportedly paid as low as 6 paisa per kg and 15 paisa per kg respectively during 1976. In all fairness, the labourers should get a fair proportion of the sale price of sal seed. The situation can improve only when the labour is regarded as a resource engaged in the production of a higher value resource.

(c) Low volume of collection: The quantity collected is always limited to what can be safely marketed, If not heated or dried soon after collection, the seed is vulnerable to deterioration due to enzyme activity, insect attack, etc. There is, therefore, a tendency to collect the seeds only from the immediately accessible areas —close to villages—from where transport to the processing centres is easy and cheap. Arrangements for prompt transport and proper handling of the seed is, therefore, essential for the growth and development of this industry.

(d) Inadequate road system: In most of the interior forest areas road communication is either not available or only fair weather roads exist. A network of roads in the sal forest areas is therefore essential.

(e) Large amount of finance: A large amount of finance for organizing the collection of sal seed in a short period of 30 to 40 days has to be provided.

(f) Inadequate organization for collection: Proper arrangements for labour's working in the sal areas, and also for storage of sal seeds do not exist. These are the two important prerequisites for the success of sal seed project.

recommended system

The system to be adopted might be a combination of direct departmental collection and agency-purchaser system as adopted in Madhya Pradesh. The former would be preferable.

Under direct departmental supervision, collection centres would be notified at each range and beat headquarters within the tribal zone, and wide publicity for the work and the likely income would be given. The rates to be paid to the collectors on the delivery at the collection centres should not in general be less than the prevailing wage rates in that area. The following rates may mean an earning of Rs 7.50 for an average collection of 15 kg kernels per day.

Dewinged seeds (kernels)	Re 0.50 per kg
Seeds with wings	Re 0.25 per kg

Packaging and transportation of seed from the forest to the factories/market should be done as expeditiously as possible. The Forest departments should make arrangements for transport of the seeds.

Savings in the transport cost can be effected if decortication of the seed is done within or near the forest area. If adequate labour is not available, portable decorticating machines may be employed.

The main objectives of the project should be to appraise the idle resources provide employment to an increasing larger proportion of the labour force at higher level of income and utilize all th available surplus sal seed.

complementary objectives

The complementary objectives woul be :

(i) ensuring payment of fair wages t the seed collectors who are mostl tribals and other weaker sections o the society;
(ii) optimisation of sal seed collection;
(iii) promoting utilisation of deoiled sa meal as a cattle and poultry feed,
(iv) pooling of marketing possibilities i different states; and
(v) developing sal oil as a source fo cocoa butter substitute for realisin better value through export, as impor substitute and renewable resource fo petroleum fractions, and thus securin higher returns to the labour engage in seed collection and the Fores departments.

Income and Employment Generatio Potential: Assuming the selling price o the refined sal seed oil as Rs 10,000 pe tonne, and an average recovery of 12 pe cent from the seed, the average costs o collection, handling and processing pe tonne of sal seed would be as follows:

(a) Estimated Costs:

(1) Seed collection charges	Rs 500.0
(2) Labour welfare (medical aid, drinking water, etc)	50.0
(3) Cost of gunny bags (to be reused) for packing seed	50.0
(4) Transport of seed to the factories.	100.0
(5) Establishment and overhead	50.0
(6) Interest on borrowed capital	100.0
(7) Royalty and profit (should be partly used for building temporary shed for the labour in the forest, etc)	100.0
	Rs 950.0
Total price payable for seed ex-factory	Rs 950.0
Add processing cost and profit at factory	Rs 300.0
Total cost	Rs 1250.0

(b) Estimated Revenue:

(i) Sale price of 125 kg from one tonne of sal seed) of refined sal oil Rs 1250.00

(ii) Sale price of 840 kg deoiled sal meal (from one tonne of sal seed) Rs 840.00

∴ Net surplus = Rs 840 per tonne of sal seed.

The above estimates indicate that there is a possibility of increasing the seed collection rates and also of spending a sizeable amount on labour welfare.

The full potential of this activity can be realized only when there is an adequate supply of contented labour force available during the 30-40 days period of sal seed collection before the onset of the mansoon.

If, as proposed for 1977 crop, about 220,000 tonnes of sal is collected annually, the "value added" to the economy through the oil and deoiled sal meal production would be Rs 275 million $(1{,}000 \times \frac{220{,}000 \times 12.5}{100})$, and Rs 184.8 million $(1{,}000 \times \frac{220{,}000 \times 84}{100})$, respectively i.e. a total of about Rs 459 million per year.

About 70 per cent of this value added viz, about Rs 312 million would be available as income to the labour force in the form of wages, profit, rent, etc. This may mean an additional employment for over 25 million man days every year.

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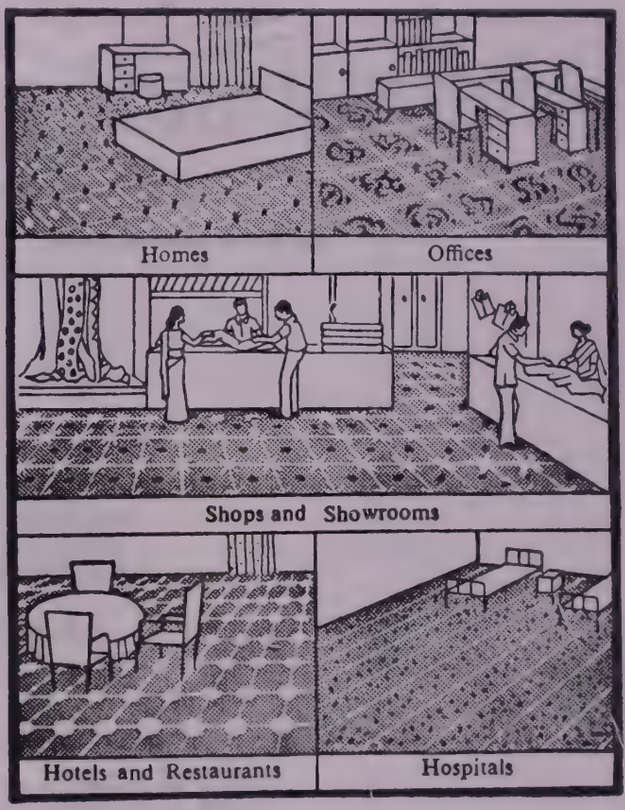
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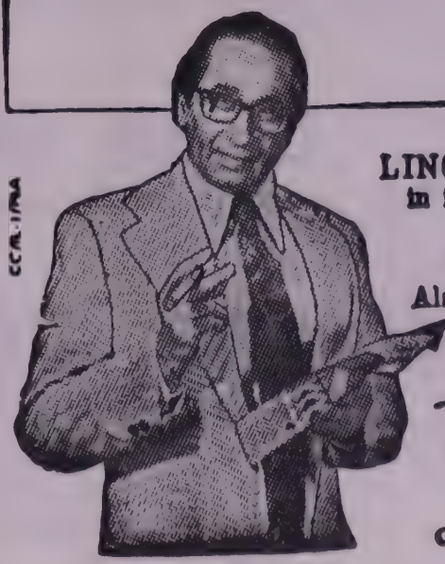
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Protectionism also an internal issue for EEC

E. B. Brook

West Germany is reluctant to foot the unduly large bill for shoring up the rickety farm economies of its southern partners. Yet, the author believes, they are anxious not to stir up a clash on sharply drawn geographical division of interests.

WEST GERMANY is likely to take an obstinate attitude towards demands by its Common Market partners, France and Italy, for Market concessions to protect their Mediterranean farmers from competition by prospective new Community members such as Greece, Spain and Portugal. Italy's demand for protection has not prevented it from promising enthusiastic support of Spain's admission to the Market; in fact, Italy will press for an early decision on Spain's application at the next Council meeting in Brussels this month. The French have been cooler to Spanish aspirations. The Spanish prime minister, Senor Suarez, experienced a French cold shoulder when he visited Paris but managed to persuade the Italians that any economic competition the Italians might experience from Spanish Market membership would be more than offset by political advantages.

What the Italians hope to get out of Spanish membership of the Community is an early revision of the Common Agricultural Policy in favour of Mediterranean products—wine, citrus, fruits and olive oil. The prospective entry of Spain, Portugal and Greece to the Market make concessions to sale of these products all the more pressing. At present, 62 per cent of the Community's agricultural budget is spent in support of four commodities, all produced principally in northern Europe —meat, cereals, sugar and dairy products. Only seven per cent of the budget goes to support Mediterranean products.

The more voluble members in from the south can be expected to argue long and vigorously on this disparity and the French, especially, to be champion stonewallers in favour of their all-too-numerous dairy farmers, all of whom are voters. A wry by-product of these differences in interest between northern and southern European farmers is yet another split in the communist parties—the Italian party heartily supports Spanish entry to the Market and the French joins the other French parties in regarding it very coolly.

WINDOW ON THE WORLD

The Germans, of course, have no such southern interests. The government in Bonn has unofficially warned that unless southern demands are resisted Common Market enlargement will cause still larger surpluses of products such as wine, olive oil and fruit and a further sharp increase in the Community's spending. W. Germany knows very well that it has to foot an unduly large part of the Community's agricultural bill and is in no mind to spend millions of valuable marks shoring up southern farm economies, rickety or otherwise.

The Germans, however, accept that a solution to these problems will have to be found. It suggests that the government attention should be concentrated on how to limit the disruption. The Germans unofficially estimate that the net additional cost to the Common Market of bolstering markets for southern agricultural produce could start by being well over £400 million and rise in a few years, as southern farmers, like French and others, join the bandwagon, to something like £1 billion. Some Germans think that even this staggering total is a conservative estimate but all estimates can be very wide of the mark because of uncertainties about future European Community agricultural policies —they are under constant attack by the British—variations in farming yields and because they make no allowance for the transition period which all the new members would need to pass through.

need for caution

The northern policy will undoubtedly be one of extreme caution over protective measures for south European farmers and a reduction in protection for such products as wine and olive oil are almost certain to be put forward. Such attempts could block the whole enlargement process or make southern farm price adjustment to higher northern price levels almost unacceptable. The north fears also the distinct possibility of a clash between the four southern countries and France on the one side and W. Germany, Benelux, Britain and the small members, Denmark and Ireland, on the other and are very anxious to avoid such a sharply drawn geographical division of interest.

Market enlargement could also further jeopardise progress towards common economic and monetary policies and would involve sizeable aid to the new

members from the Community's regional and social funds and from the guidance section of the agricultural budget.

Another commodity over which there could well be a clash, this time between Greece and Italy, is tobacco. Both countries, especially Greece, produce oriental type leaf, widely used outside Britain, as an aromatic leaf with Virginia leaf. Tobacco is becoming a touchy subject in southern Europe because both Turkey and Greece almost regularly over-produce, as the market for oriental leaf begins to fade in W. Germany and as the Italians move forward as sophisticated tobacco growers and manufacturers. This fact may be of some interest to Indian tobacco growers who are themselves, under the influence of Common Market requirements as distinct from the traditional British, turning attention to growing tobacco types other than flue-cured Virginia.

increase in reserves

The Italians, incidentally, are once again moving forward in economic prosperity and commercial aggressiveness as their monetary ailments begin to yield to treatment. Italy has just paid back on schedule $500 million to the German Federal Bank, representing the first tranche of a $2 billion gold-backed loan which Italy was obliged to draw almost exactly three years ago and renewed last year. The repayment at due date reflects an improvement in Italy's balance of payments and a sizeable increase in available reserves.

Earlier this year, Italy repaid, also on schedule, $825 million to the International Monetary Fund for a 1974 credit. Italy still faces fundamental problems. The heavy debts of most semi-Syate companies and many private companies are high on the list of these problems. The Italian authorities are considering measures to aid ailing industrial production and the troubled financial structures of many companies. They are also trying, with some success so far, to revive Italy's stagnant capital market and have just cut the bank rate by 1.5 per cent to make the second cut in three months from the record high of 15 per cent at the beginning of June.

Butter continues to be a bugbear of the Common Market. Latest figures suggest that farmers within the Market are producing 400 metric tonnes (roughly 8.8 million lbs) of butter every day for which there is no market. Butter stocks with the Market have increased from the 200,000 tons in April, when Mr Roy Jenkins thwarted a second cheap sale to Russia, to 332,876 tons. At the present rate of increase, the butter mountain could exceed 400,000 tons by the end of the year.

A slightly punitive tax, called a 'co-responsibility levy' has begun to be charged to farmers who produce more than certain amounts of milk in the hope that the levy will make it unprofitable to produce so much milk. The farmers strongly object while consumers everywhere are beginning to reduce their butter purchases because of the high price. Germans, in fact, are finding it cheaper to take day-trips out on boats and buy their butter beyond national water limits more cheaply because the Common Market farm tariffs do not apply so far out from the continental mainland. German excurison boats have become floating grocery shops selling butter 38 p a lb cheaper than the price in town shops.

A little heat has been generated in cold extreme north Europe by Greenlanders' objections to Denmark's decision to go ahead with drilling for oil and natural gas in Greenland and offshore. Constitutionally Greenland is a province of the kingdom of Denmark and returns two members to the Danish Folketing. Keeping Greenlanders with a relatively European standard of living is a considerable strain on Danish resources and the oil and gas which the Danes are assured lie below Greenland, the world's largest island, and just off its shores, would materially help to repay the bill. Greenland was taken into the Common Market when Denmark joined very much against its will and unlike the Faroe islands (another part of the Danish kingdom) was given no choice.

The Greenlanders, all the same, have never had it so good at no cost to themselves and fear of foreign interest in Greenlandic affairs is finding expression in opposition to the activities of the six groups which were awarded concessions by the Danes in 1973 to drill for and extract hydrocarbons from areas off the west coast of Greenland. Prospects of finding gas and oil, despite some early disappointments, are regarded as good and the better they become the more probable it is that the cold climate of Greenland may produce an unexpected amount of heat among a people who want a comfortable life at the Danes' expense and no risk of such blow-outs as upset the Norwegians early this year and which could very well damage the marine fauna on which the Greenlanders live.

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Manager

Canberra lays down its uranium policy

On August 25, 1977, the prime minister of Australia, Mr Malcolm Fraser, announced in Parliament the government's decision to allow the mining and export of the nation's major uranium deposits under strictly controlled conditions. This article summarises the main points of the Australian government's decision.

AUSTRALIA HAS decided to mine and export its major deposits of uranium under strictly controlled conditions provided rigid environmental requirements are satisfied. The reserves are estimated at 376,000 short tons and account for about 20 per cent of the western world's known low cost reserves.

The Australian government has accepted almost all of the recommendations of an intensive inquiry known as the Ranger Uranium Environmental Inquiry which submitted its reports in October, 1976 and May, 1977.

Where the government has decided on a course other than that recommended by the Ranger inquiry it has done so on the basis of achieving the same purposes and satisfying the same principles. In some cases, the government has adopted more stringent controls than those recommended by the Ranger inquiry.

On that basis, the government has decided that further mining and export of Australian uranium should go ahead.

future needs

In making this decision, the government gave the closest attention to the welfare and future needs of the people of Australia, especially in the region directly concerned with mining, and the people of the world, whose energy requirements continue to grow.

Special attention was given to harmonising the needs of people with preservation of the natural environment.

The government has accepted all the recommendations and findings of the Ranger inquiry relating to the hazards of mining and milling uranium and the use of uranium in power generation for peaceful purposes.

The basis of the decision are:

—Australia has an obligation to provide the rest of the world with a vital source of fuel and energy.

—Only by supplying uranium can Australia have a firm and effective voice in world forums dealing with nuclear non-proliferation, effective nuclear safeguards, and all aspects of peaceful uses of nuclear energy.

aboriginal interests

—The interest of the aboriginal people in the region of the mines will be protected and they will be given title to their traditional land.

—Damage to the environment will be minimised and to this end the government will establish a major national park.

—Effective advisory committees and machinery to control marketing and administrative matters will be established.

—Workers involved in the mining, milling and export of uranium, and those in the neighbourhood of mines, must —and will be—protected from any health risks.

—Purchasers of uranium will be required to agree to the most rigid safeguards. In particular, sales will be restricted to those countries that agree to inspection by the International Atomic Energy Agency; in the case of non-nuclear weapon states that will be achieved by limitation to those countries which are parties to the Nuclear Non-Proliferation Treaty (NPT), which is designed to sto the spread of nuclear weapons.

—The government is satisfied that ther are adequate control, safety, physica security and nuclear safeguard measure to eliminate fears associated with nuclea power generation for peaceful purposes

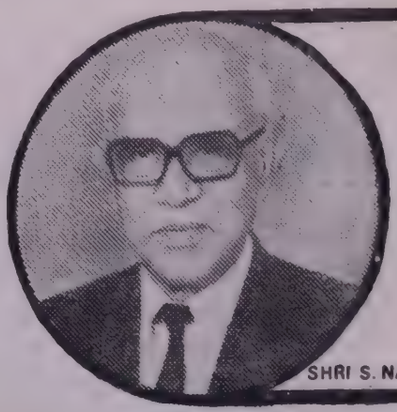
key elements

The key elements of the policy o nuclear safeguards are: the governmer retains the right to be selective in th countries to which uranium exports will b permitted. In the case of non-nuclea weapon states sales will be made only t Non-Proliferation Treaty (NPT) partie Nuclear weapon states receiving Australia uranium must not use it for explosive c military purposes. All states must allo International Atomic Energy Agenc (IAEA) inspection of Australian uranium All recipient countries will be required t conclude bilateral agreements wit Australia to ensure that Australian ura nium will be used only for peacef purposes; that appropriate physic security measures are taken; and that pric Australian consent is obtained befo Australian uranium may be transferred t others, enriched beyond 20 per cent U23 or reprocessed.

The agreement will also provide for 'fa back' safeguards should NPT safeguar ever cease to apply in the recipie country. As a standard practice a clau will be included in future contracts for th export of Australian uranium noting th the transaction is subject to safeguards.

The government believes that NPT ar IAEA safeguards should be supplement by other measures. Fundamental unde takings required from customer countri under the bilateral agreements, provid for in Australia's safeguards policy, a that nuclear material supplied by Austra for peaceful purposes will not be divert to military or explosive purposes and th

—*Over to page 6*



SHRI S. NARAYANASWAMY, CHAIRMAN

Chairman's Speech delivered at the Annual General Meeting held on 26th September, 1977

Gentlemen:

It is with great pleasure that I welcome you to this, the 31st Annual General Meeting of the Company. The Report and Accounts relating to the year 1976–77 have been in your hands for some weeks and I request your permission to take them as read.

YEAR'S RESULTS

It has in many ways been a year of queer contradictions in the performance of your Company. We had the stultifying spectacle of some Divisions doing reasonably well and others not doing so well, which is not perhaps quite unusual. But what is perplexing us all is that an all-time-high turnover has resulted in smaller profits. Sales and other income during the year have been very spectacular—a record of Rs. 21.62 crores against Rs. 18.37 crores in the year preceding. We produced 10,161 tonnes of bare conductors against 8,621 tonnes representing an increase of about 18%. Conversion of ingots into aluminium rods rose to 7,870 tonnes from 5,308 tonnes. Production of steel wire increased from 5,387 tonnes to 7,382 tonnes. That all these higher levels of performance should have proved so much less-rewarding than in prior years, is a matter that has caused your Board no small concern. There was a decline in the turnover of the Switchgear Division mainly as a result of what I may call a colourless order book. The Machinery Division could not give a better account of itself, as in that Division our profitability suffered shrinking mainly as a result of customers who had ordered capital goods, not receiving funds from financial institutions from whom they had availed term-loans to take delivery of goods they had ordered. This compelled us to postpone deliveries considerably. Most of you are familiar with the phenomenon of companies not receiving timely payments for high-costing goods produced, that inevitably lands the manufacturer in massive interest charges that tend to erode profits. In spite of many disquieting commercial trends during the year, your Company achieved the highest turnover in its history.

The shrinkage of profits is directly ascribable to our having to face acute competition, more particularly in bare conductors; and to the fact that exports which contributed largely to the profits of the last year shrank quite alarmingly, because of aggressive international competition and the increased price of indigenous aluminium metal. The main advantage that the cable industry enjoyed abroad was that our raw material was low priced and we were able to secure orders in competition with countries that had to reckon with higher cost of metal. But during the last financial year, we lost this advantage, and furthermore, supplies of aluminium began to shrink within the country towards the end of the year. Meantime, the Indian conductor manufacturers were most anxious to operate their conductor units to capacity, in order to maximise production. They began to offer conductors at low prices to Middle-Eastern markets. This has resulted in fractionalisation of export orders for a large number of Indian manufacturers.

DELAYS IN REALISATION OF SUPPLY BILLS

Before I leave this subject of exports, I must say a word about cash assistance and duty drawback as incentives for export promotion. I have referred in the past to the large amount of unproductive paper work that had to be done in lodging claims with Indian Government for both cash assistance and duty drawback. Though in prior years there was some delay in processing these papers and in payments being received by the exporters, during the year under review these delays became critical and had the effect of dislocating the finances of many industrial units and in landing them in a resource-squeeze. At one stage a sum of about Rs. 202 lakhs was due to us from Government and with the utmost difficulty, we were able to realise a sum of Rs. 140 lakhs in the course of the year. But before we could realise even this sum, we had to resort to bank assistance in the form of pre and post-shipment credits. A sum of Rs. 10 lakhs represents outgoings by way of interest on such borrowings alone, which could have been wholly obviated had we received our drawback amounts in reasonable time. I need hardly add that such massive interest outgoings could hardly be anticipated by your Board in making an assessment of profits. A sum of over Rs. 60 lakhs continues to be due to us by way of export incentive claims from the Chief Controller of Imports and Exports, New Delhi. This gap in resources has had to be filled up by bank borrowings. When such unpredictable financial outgoings come on top of increased expenses of operation and declining profitability in a highly competitive market, we have the why and the wherefore of the lower profits that the Company has been called upon to confront last year.

I am aware that Shareholders have felt disappointment at the sharp drop in profits during the year, though the dividend in Equity shares has been slightly enhanced. The accumulation of many adverse factors to which I have referred have contributed to this shrinkage in profits.

STEEL PRODUCTS DIVISION

In my speech last year I referred to enhancement of capacity of the Steel Wire Plant by the addition of balancing equipment. Thanks to a good raw-material supply position, production in this unit increased substantially. The Company has to depend mainly on Mukand Iron & Steel Works for the supply of high carbon steel rod. Owing to a dispute between the company and the workers, Mukand Iron & Steel Works has been closed since August 1977. Supplies of high carbon steel rods have therefore stopped from this source. If the stalemate continues it will result in a situation where production of ACSR will be seriously affected. Prolonged closure of Mukand's works pose serious problems to other engineering industries as well.

SWITCHGEAR DIVISION

We suffered under-utilisation of capacity in our Switchgear Division, due to lack of a well-filled order book, and the Division ended the year with a substantial loss. It must be a matter of some comfort for you to know that in the new financial year, the Company is executing gainful orders in this Division and expects to show better results. Lest you get a wrong picture of the situation of this Division, I would like to add that during the last financial year, the Company has worked through the last batch of uneconomic orders, procured with a view to keeping the machines running in the initial years of the unit's operations and a portion of such orders carried agency commission which has the further effect of eroding the profits. As you are aware, the Company now makes direct sales of its products in the Switchgear Division and no selling commission is paid to any agency. While on this subject I would like to refer to the fact that the Company has received Government approval for going into the manufacture of STATIC RELAYS and High Voltage Switchgear of 132 kV and 220 kV range in the Switchgear Division. Approval has also been received both from Government and our collaborators, Messrs Delle-Alsthom for our going into the manufacture of the above capacity breakers using Sulphur Hexafluoride technology. ALIND will be the first in India to introduce the SF-6 type switchgear. We have sent the first batch of engineers for training in France in the new technology and the new products will be placed on the market in the third quarter of 1979.

MACHINERY DIVISION

Despite the temporarily disheartening trend in the market for capital goods, the outlook for the Machinery Division is satisfactory. As I had occasion to mention earlier, this Division is poised to manufacture a wide range of Material Handling Equipment. We are currently executing orders for reputed Indian companies, and this Division is getting to be known as a dependable manufacturer of this type of equipment. Orders from cable units for wire working machines have generally been limited to replacement of worn-out machines. Project orders have been few last year.

ALUMINIUM SUPPLY

The current year has started with many imponderables, the first of them being the supply position in aluminium metal. There has been a robust increase in the installed capacity of the metal reduction units in the country, but it is unwise to derive any satisfaction from mere contemplation of installed capacity. All through the year, as a consequence of powercuts in many States in which primary metal producing units are located, there was substantial fall in the quantum of aluminium produced, and it will be correct to say about 60% of the capacity in the country could only be utilised. The position is particularly poignant in the case of units, which in good faith, had put through expansions of installed capacity at sizeable capital costs; the resources being obtained by these units mostly through term loans carrying heavy interest. The acute shortage of power in States like Uttar Pradesh, Karnataka, Madhya Pradesh and Tamil Nadu rendered supplies of aluminium units meagre, fitful or uncertain. The powercuts reduced the manufacturers to helplessness in energising the additional capacity. Indeed some have cut back on pre-extension installed capacity. The result was an overall shortfall in production of aluminium metal over the prior year, at a time when the requirements of new transmission line erection had become acute. The major consumer of aluminium metal is the high-tension conductor industry, and the industry could not get adequate supplies in the last 4 months. Major producers like Hindustan Aluminium Corporation and Indian Aluminium Company could only supply a fraction of cable industry's requirements.

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THE ALUMINIUM INDUSTRIES LIMITED, KUNDARA



The public sector project in Madhya Pradesh—Bharat Aluminium Company—whose 25,000 tonnes unit went on stream last year, has recently added a further 25,000 tonnes to its installed capacity without getting the power to energise its pots. Thus this public sector unit has not been able to fill the gap effectively, as power limitations in Madhya Pradesh appear to have bedevilled this unit also. The position with regard to Madras Aluminium Company is no better with its being unable to energise its newly installed additional pots that would have brought up the capacity to over 20,000 tonnes.

The cable industry had little reason to suspect that the country would enter upon a cycle of metal shortage of the dimensions that have caused so much anxiety. The Electricity Boards and Project Authorities are most concerned over this development, but there is a peculiar irony in that the Boards themselves are responsible for the powercuts that brought about a shrinkage in metal output. The metal supply position showed signs of some improvement recently, but I would like to keep my fingers crossed over the fortunes for the current year. There is reason for subdued optimism.

ALUMINIUM IMPORTS

Government are thinking of importing aluminium, though current prices of aluminium abroad are much higher than the price of the Indian metal. I gather Government are quite agreeable to issuing adhoc licences for importing metal to manufacturing units, subject to the condition that this metal would be used for fulfilling export commitments, which does not take the manufacturer anywhere, because the economic base for our exports was that our basic metal price was lower than the prices obtaining abroad. Furthermore, judging from past experience, the availment of import licences in the past has resulted in shipment of aluminium from Western countries after long and unpredictable intervals, during which many changes occur within the country that upset the economics of import. I hope, in the case of metal imported by cable manufacturers, Government will see the wisdom of leaving the importer free to utilise aluminium for meeting internal or external conductor requirements as he may find feasible, so that the domestic cable market may not be starved of its requirements, at a time when electric power generation and transmission are receiving such high priority attention at the hands of Central Government.

EXPORT INCENTIVES

Government have issued a notification withdrawing cash assistance in respect of exports of conductors, and this has already weakened incentives on exports on top of other circumstances to which I have already referred. To combine the stipulation that imported metal should be linked to export commitments alongside of the withdrawal of cash assistance, would rob conductor export of its ultimate gainfulness, at a time when we need to improve the country's exchange earnings. I hope and trust, Government will have a fresh look on both these matters and suitably modify their export assistance policy.

POWER POSITION

The position regarding aluminium shortage pinpoints the havoc caused by power shortage all over the country. It is very difficult to assess the overall production losses caused by powercuts in virtually 90% of the States in India. Steps initiated in the last one or two years to augment power generation capacity in the country will help us to generate more power perhaps in 2 to 4 years from now. Gestation periods have been long and where supplies of equipment get delayed, projects got held up by as many as 6 to 8 years. Such delays can work havoc with the economics of production and reduce the quantum of wealth produced both for internal consumption and for exports. Such difficulties acquire a sharp edge in the context of population increases that result in an additional one million mouths crying for sustenance every month. No infrastructure shortfall has hit the country so powerfully as the power shortage in the last 3 or 4 years. We in this Company will gladly shoulder any additional burden that the requirements of massive power distribution may throw on the cable industry. In this context I would like to express the hope that the spectre of metal shortage would be effectively laid in the coming months, by Government treating aluminium metal production as a priority industry. Already many States have shown a propensity to treat this industry as a low priority industry and divert electric power from aluminium to agriculture. While the needs of agriculture are paramount, the requirements of industrial expansion are very crucial in a developing economy, that is committed to enhance its export quantum.

The Consultancy Division has satisfactorily implemented the agreement with a Delhi firm for setting up a Steel Wire Plant in Hoshiarpur. This plant is expected to be commissioned shortly.

BORROWING LIMITS

As you have seen, the scale of our production has enlarged considerably over the years. This has increased the quantum of working funds needed by the Company to carry on optimum operations at all its five units. Apart from aluminium metal costs going up, other input costs have also increased. Hence we have been obliged to avail increased financial facilities from the bankers. I must say, our bankers have shown deep understanding of the magnitude of the problems and have readily come to our assistance every time. We have found it necessary to obtain the sanction of the General Body for increasing our overall borrowing limits to Rs. 10 crores from the present level of Rs. 7 crores. A special Resolution has been placed before you for your approval in this connection.

MANAGING DIRECTOR

The term of office of our Managing Director, Shri B. V. D. Menon, expires on 3rd April 1978, and this is the immediately prior General Meeting held before the expiry of this office. The Board has recommended reappointment of Shri B. V. D. Menon for a further period of 5 years as Managing Director on the terms and conditions set out in the Special Resolution placed before you for your approval. Shri Menon has been associated with this enterprise from its very inception and has seen the Company grow from its very modest beginnings to its present level, where our employed Capital is of the order of Rs. 16 crores. He has shouldered the responsibility for its many expansions and diversification schemes and seen the Company through many trials and tribulations. Your Board feels that it is advisable to re-appoint him for a further period of 5 years. I request your support for this Special Resolution. Life Insurance Corporation of India, Unit Trust of India and Industrial Credit and Investment Corporation of India have conveyed their approval for the terms of reappointment of the Managing Director.

GENERAL

I would like to take this opportunity to thank our French Collaborators, Messrs Delle-Alsthom, who have shown sustained interest in the growth of our Switchgear Division and have at all times afforded facilities for our expansions, such as we are presently putting through. I must express the Company's gratitude to them. I must thank our bankers, State Bank of Travancore, Bank of Baroda, Punjab National Bank and Canara Bank for the continued support they have been giving to the Company. I wish to thank the Industrial Credit&Investment Corporation of India, Life Insurance Corporation of India, Unit Trust of India and the Industrial Development Bank of India, Kerala Financial Corporation and Andhra Pradesh State Financial Corporation for their sustained interest in the Company.

I also thank Shri B. V. D. Menon, Managing Director, our General Managers Shri N. Satyanathan and S. N. Nayar, and Secretary & Finance Manager, Shri R. Viswanathan for their splendid work during a truly difficult year. I must thank all rank of engineers, staff and workers for the effective teamwork they have put in during the year.

I thank you all for your forbearance.

Kundara
26th Sept. 1977

S. NARAYANASWAMY
CHAIRMAN

ALIND

THE ALUMINIUM INDUSTRIES LTD.
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THE POWER MOVERS

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

IAEA safeguards will apply to verify compliance with this. This duplicates to a certain extent undertakings which non-nuclear weapon states enter into as parties to the NPT, but the government has considered it important that the undertakings be included in the bilateral agreements, irrespective of any future change in a country's NPT status. Provision for fall-back safeguards in the agreements are intended to ensure continued international safeguarding of material already present in an importing country if safeguards under the NPT should at some stage cease to apply.

nuclear safeguards

The requirements in the bilateral agreements for prior Australian consent to the enrichment of supplied uranium beyond 20 per cent U235 and for the reprocessing of spent fuel derived from Australian uranium are partly so that the government can be satisfied that controls relating to any high enrichment or reprocessing are adequate. It is also a means of guarding against excessive accumulation of weapons usable nuclear material which might enable a country to attain a nuclear weapons capability and pose a potential proliferation risk.

To prevent theft of nuclear material by groups or individuals, the bilateral agreements will require that adequate physical security be maintained on the nuclear industries of importing countries. The benchmark will be the international standards recommended by the IAEA. The bilateral agreements will stipulate prior Australian consent to any transfer of supplied nuclear material to a third party so that Australia can satisfy itself that the whole package of safeguards requirements will continue to be met by the third party. The government noted that because plutonium is a material suitable for nuclear explosives and because of its desire to minimise proliferation, the US government has placed a moratorium on spent fuel reprocessing. Australia has reserved its position on reprocessing to ensure that, in relation to Australian supplied uranium, the potential problems associated with reprocessing are dealt with.

It will need to be satisfied, for example, that:

—There is a need to reprocess for legitimate energy purposes.

—International controls and safeguards are intensified to ensure an adequate and effective defence against diversion of plutonium to non-peaceful purposes.

—There is not excessive stockpiling of plutonium in a way that could pose future proliferation dangers.

The government is committed to pursue a wide consensus among both nuclear supplier countries and nuclear importing countries on the controls to apply to the world nuclear industry. Australia will participate with other countries in the proposed International Nuclear Fuel Cycle Evaluation, an initiative first proposed by president Carter in April, 1977. This will be a wide-ranging technical study of the means by which nuclear power can help to meet the world's energy needs without compromising non-proliferation objectives. It will cover questions relating to nuclear fuel availability, availability of enrichment services, assurances of long-term supply of nuclear fuel in the interests of non-proliferation, reprocessing and questions associated with plutonium, fast breeder reactors, spent fuel storage and waste disposal, and alternative fuel cycle concepts.

disposal of waste

The question of the safe disposal of the waste products of the generation of nuclear power for peaceful purposes does not now arise in Australia. These considerations are nevertheless important. The government and Australian scientists are well aware of the need for stringent health and safety precautions in nuclear power stations and the handling of nuclear waste in countries where there are nuclear power plants. Australia as an exporter of uranium will be closely involved in international studies concerned with the long-term storage and ultimate disposal of radioactive wastes. Australia has been invited to participate in the International Fuel Cycle Evaluation (INFCE) and will participate in other international programmes to this end.

On environmental controls, the government will appoint a supervising scientist and set up a coordinating committee and research institution in the Alligator Rivers region to implement controls, develo standards and monitor operations. Th scientist will have the powers to see information from mining companies, mon toring and research agencies, as well a inspecting sites and operations. Th research institution headed by the supe vising scientist with a small number c research staff, will assist in the develop ment and management of multi-disciplinar integrated research programmes necessar for environmental protection of the regio

environmental controls

The government has adopted measure concerning potential environmental an health implications of uranium mining an milling. The Ranger inquiry conclude that the Australian code of practice o radiation protection, published by th government's department of Health, wa consistent with internationally accepte standards and recommended the cod should be made mandatory by legislatio The government plans to go further and with the states, establish a uniform national code covering all aspects of min ing and milling of uranium.

Australia's history as a uranium pro ducer dates back to the 1950s, but it wa the spectacular discoveries of the 1970s i the Northern Territory which led to th government's current decisions. Th Northern Territory deposits and the com panies concerned are: Ranger, to be dev loped as a joint venture between th government, through the Australia Atomic Energy Commission, and Pek Mines Limited/Electrolytic Zinc Compan of Australasia Limited (Peko/EZ), locate about 220 km east of Darwin; Koongar (Noranda Australia Limited), 24 km to t south of Ranger; Jabiluka (Pancontinent Mining Limited—Getty Oil Limited), abo 24 km to the north; and Nabarlek (Queen land Mines Limited) about 65 km nort east. Elsewhere in Australia, other signi cant uranium discoveries include depos at Yeelirrie, (Western Mining Corporati Limited), 670 km north-east of Pert Western Australia, and in areas of Sou Australia.

The Ranger inquiry recommended sequence of development of mines in t Alligator Rivers region, at appropri intervals. The government has decided

allow the Ranger project to proceed on the basis of the environmental controls recommended by the inquiry. The government has also decided that development of other new mines in the region should take place only when the requirements of the Environment Protection (Impact of Proposals) Act 1974 have been complied with in each case, and the government is satisfied as to the acceptability of the impact of the development on the environment and the aboriginal people, having regard to the region as a whole.

The government noted that these requirements and others, such as negotiation between the mining companies and the aboriginal land owners, would of themselves lead to a sequence of development. As a result, the government decided that it would not specify now a sequence, either as to order or timing.

basic decision

The government's basic decision in the mining and export of uranium means that decisions can be made on the development of the Nabarlek deposit in Arnhem Land Aboriginal Reserve, subject to satisfactory compliance with environmental impact procedures and agreement of the aboriginal people. Similarly, decisions can be taken on development of uranium deposits in the states.

For some considerable time, development will be restricted to the Ranger deposit and, if its effects on the environment and the aboriginal people are acceptable, to Jabiluka. The memorandum of understanding between the Australian government, through the Australian Atomic Energy Commission, and Peko/EZ provides for the establishment of a mine of 3300 short tons capacity at Ranger. Capital provided will be 72½ per cent by the government and 27½ per cent by Peko/EZ, with Peko/EZ receiving net proceeds of sale of 50 per cent of the uranium produced.

Because of the government's requirement that it be satisfied as to the acceptability of the impact of each development on the environment, a considerable amount of planning and investigation into the environmental effects of any development of Noranda's deposit at Koongarra will have to be undertaken. That deposit has particular environmental problems because of the sensitivity and fragility of the enviroument of the area and the location of the deposit upstream of a major wetlands area.

marketing authority

On marketing, the Ranger inquiry recommended the establishment of a uranium marketing authority and the government has accepted the trust of the recommendation. However, a final decision will not be taken on marketing arrangements for Australian uranium until the legal implications of foreign anti-trust laws have been fully examined by the government.

The deputy prime minister, minister for National Resources and minister for Overseas Trade, Mr Doug Anthony, has said: "The government attaches the greatest importance to orderly development of our uranium resources. We will want to see our uranium industry develop as a stable and secure long-term supplier of energy to other countries on fair and reasonable terms. We will not allow the development of our uranium industry to be dictated by volatile events in markets abroad. Furthermore, we will ensure that our marketing arrangements accord no marketing advantage to Ranger resulting specifically from government participation in that project."

In other decisions, the government will establish a uranium advisory council to advise the government on matters relating to the export and use of uranium; the government will initiate discussion with the industry on a possible framework for a secondary or resource based tax on the future earnings from uranium development; part of the government's revenue from uranium development will be used to fund solar energy research as part of the national energy programme.

Forecasts have pointed to significant export income, employment and other economic benefits for Australia from the uranium development. The Ranger inquiry assumed that production and sales would begin in 1981-82 at a rate of 2000 short tons of uranium oxide, increasing to 10,030 short tons in 1985-86. The inquiry estimated that gross revenue to the year 2000 could exceed $A20,000 million, in present money values, and net national benefits, discounted to present worth terms, could be $A3255 million. It was forecast that a work force of up to 2500 would probably be directly employed in the industry within 20 years with construction activities, associated with the development, providing direct employment for an additional 1500 workers at any one time.

Employment prospects will be further enhanced should Australia in the future decide to upgrade and enrich uranium prior to export. The deputy prime minister, Mr Anthony has said the govenment, as a matter of policy, wishes to see the maximum processing of Australian raw materials prior to export. The government will study the feasibility of upgrading and enrichment of uranium in Australia, and preserve Australia's options in this regard. The joint uranium enrichment feasibility study between Australia and Japan will continue, and Australia will be prepared to enter into similar feasibility studies with other countries.

welfare measures

The government will grant to Aboriginals under the Aboriginal Land Rights (Northern Territory) Act 1976 title to traditional land in the region, including the Ranger and Koongarra mining areas. Legislative changes will be made to enable aboriginal land to become part of the national park. The government has decided to purchase the Mudginberri and Munmarlary pastoral leases, which include the Jabiluka mining area, from the present lessees, to afford an opportunity for aboriginal land claims to be made and determined and for these areas also to become part of the national park.

The granting of aboriginal land claims will entitle the aboriginals to negotiate with the mining companies on the terms and conditions for mining and to allow them to obtain financial benefits under the Aboriginal Land Rights (Northern Territory) Act 1976.

The government will pursue the recommendations of the Ranger inquiry on measures to deal with the impact of development on aboriginal society including employment, education, race relations, health and alcohol. The minister for

ensuring the recommendations are carried out.

Provision will be made for the participation by aboriginals in the management of the national park, and for their training and employment should they so desire.

The government will agree to the possible employment of a qualified liaison officer to inform newcomers to the Alligator Rivers region about aboriginal customs and traditions, and for legislation to enable the Northern Land Council and the Director of National Parks and Wildlife to enforce environment protection provisions.

The national park, to be known as the Kakadu National Park, will ultimately extend over an area of 12,500 square kilometres. It will be declared progressively with the first area covering 6500 square kilometres. No exploration, development or mining will be allowed for the time being in the declared area. The remaining area will come under special controls and the same restrictions will apply, except with the approval of the government.

The town, which will not be part of aboriginal land, will be within the nation-town with a population of not more than 3500. Aboriginals will be involved in the planning of the town from the beginning to ensure that past mistakes which have led to aboriginals becoming fringe dwellers at towns on their own traditional land are not repeated. The grant of aboriginal land claims means that aboriginals will benefit financially from the development of deposits. The equivalent of a royalty of at least 2½ per cent will be payable by the government to the Aboriginals Benefit Trust Account for mining within the Ranger area and 30 per cent of these payments will go to the local aboriginal communities affected by mining developments in the Alligator Rivers region. The remainder will go towards advancing the general well being of aboriginals throughout the Northern Territory and towards administrative costs of land councils.

The Ranger and Koongarra deposits will be excluded from the national park, but included in aboriginal land, as will Jabiluka following processes of the Aboriginal Land Rights legislation. The Nabarlek deposits are in the Arnhem Land Aboriginal Reserve. Mining which be on the basis that financial arrangements will be made to ensure that once mining ceases the site will be rehabilitated and included in the national park.

The government, in deciding to proceed with further development of uranium deposits, under strictly controlled conditions, has taken the view that only by supplying uranium can Australia have an effective voice in world forums dealing with nuclear non-proliferation, effective nuclear safeguards and aspects of peaceful uses of nuclear energy. The prime minister, in announcing the decision in the House of Representatives on August 25, said "The government has taken its decision with a deep sense of international responsibility. I venture to say that were it not for that sense of responsibility, were it not for our wish to strengthen Australia's voice in the moves against the proliferation of nuclear weapons, were it not for our obligation to provide energy to an energy deficient world, we would not have decided to export uranium. Commercial considerations were not the dominant motive in our decision. In themselves they would not have been sufficient."

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MOVING FINGER

The debate on the res- tructuring of *Samachar*, which has so far been confined to a few professionals, has at least made one thing clear. This is that vested interests could flare up faster than love at first sight. Each and every view expressed has spoken for some vested interest or the other. The employees of *Samachar*, who find it no more easy to shed their former identities than the members of the Janata party theirs and who do not want the present set-up to be dismantled, however, may claim that they have not hesitated to declare their interest —they do not want their present service conditions to be changed for the worse. They are fighting for what they have got. Mr C.R. Irani, who would happily see the *status quo ante* restored, is fighting to get back what he (and his colleagues in the IENS) may feel that they have lost. Mr Kuldip Nayar is fighting like a tigress which sees its cubs threatened. Mr Jagjivan Ram, who heads a cabinet panel which, hopefully, would sort it all out, should find it easier to tangle with Janata politics.

Mr Irani accuses Mr Kuldip Nayar of ignoring the cost aspect. This is unfair, for the news agencies were at no time paying their way. Indeed, newspaper proprietors, such as Mr Ramnath Goenka, saw to it that they did not or did not have to. Even those subscribers, who were paying their subscriptions regularly, were never guilty of loosening their purse-strings for the mere purpose of improving the news agency services. When they put up a little more money it was only because they had a strike on their hands or the threat of a strike staring them in the face. When such is the case, why should Mr Kuldip Nayar be expected to tax his brain with news agency economics, especially when economics of any kind is the last thing he knows anything about or needs to? The Delhi edition of *The Indian Express* may be losing money, but some of its big boys on Bahadur Shah Zafar Marg reportedly have long expense accounts.

The public, however, has cause to worry, for the public, in one or more of its versions, is sure to be mulcted whatever may be the shape which the news agency structure ultimately takes. For Mr Irani and Mr Nayar are as the Colonel's Lady and Judy O'Grady when it comes to who is to pay how much more. Akashvani and Doordarshan are slated to find a good part of the extra money. Their subscriptions, these beautiful people recommend, should be linked to the receipts from radio licence fees and tv licence fees respectively. Mr Irani urges more competition in news services; Mr Nayar concurs. Could not this objective be served a little more if Akashvani and Doordarshan could retain more funds for building up their own respective reporting networks? Moreover could Mr Irani and Mr Nayar be entirely unaware of the fact that there is a case for reducing or even abolishing the licence fees levied on radios and tv sets? Indeed, when occasion arises, *The Statesman* and *The Indian Express*, I expect, will support editorially this extremely popular cause. But, then, where our great newspapers are concerned, the left hand does not know half the time what the right hand has been doing.

In the faith, perhaps, that, where the *Samachar* debate is concerned, it is impossible to make confusion worse confounded, the India International Centre got hold of some of the top people in the business for a public discussion of the report on Tuesday last week. Its attempt at assembling a star cast, however, was not completely successful. Mr S. Mulgaokar was billed as a participant, but he was not there when the curtain rose. Mr G.G. Mirchandani was substituted for him. I always had the greatest respect for Mr Mulgaokar's acumen and perspicacity. He knows that a man with a large ego to nurse cannot afford to expose it too often. Mr Kuldip Nayar, whose ego is of more recent origin, has not yet learnt this lesson. But learn it he will and that too soon enough, if only people would help him as some one from the audience did that Tuesday.

As *The Statesman* reported it, during the discussion, Mr Nayar chastised the House for laughing whenever there was talk of rural news. "Why do you laugh, they were the people who gave you back your freedom. If you can do nothing yourself why laugh at those who try and do something?" Pat came the retort that they were not laughing at the rural people, but at the people who were talking about them. The moral is: Never ask people why they laugh; their reply may not amuse you.

Economists are apt to be belittled by lesser men as astrologers who do not know their stars. But it is just not true that economists must always fail in forecasting the future. Years ago, in the middle thirties of this century, D.H. Robertson predicted that a time would come, thanks to the progress of the international division of labour, when England might become a park and a playground for strenuous industrial leaders gathered on either side of the Pacific. That time seems to have arrived, perhaps sooner than he thought. At the Honda Motor Company works in Japan, workers are foregoing holidays because the company's order books are bulging with growing demand for its Civic and Accord cars in the US and Europe. In the UK, British Leyland also finds that it can sell more cars abroad if it could make them. It therefore wants to introduce a night shift. But its workers are refusing to play ball. They say that they do not care to have their love life disrupted. Britain, they seem to think, is not for the enjoyment of the foreign tourist alone—a way of thinking extending, apparently, to more sophisticated natives. "Tourists?" shouts *The Economist* (London), "Tax 'em!"

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TRADE WINDS

Tripartite Committee on Labour

THE GOVERNMENT on September 23, 1977 announced the setting up of a committee on workers' participation to management and equity. The Labour minister, Mr Ravindra Varma, will be the chairman and other 18 members have been drawn from various walks of life and central trade unions. The committee has been asked to submit its report within two months. It has also been asked to devise its own procedures and seek such information and evidence as it may consider necessary. The committee has been set up following the decision taken at the tripartite labour conference held in May last.

The terms of reference of the committee will be as follows: Recognising the need for labour participation at different levels of management in industrial establishments, the committee is required to consider and recommend an outline of a comprehensive scheme for such participation, specially keeping in view the interest of the national economy. The committee is also required to recommend whether there should be a statutory scheme for workers' participation in management which should replace the existing statutory works committees and any other similar body functioning in a plant or unit. It will also consider whether the proposed scheme of participation should cover, in addition to management at shop and plant levels, the higher levels of management as well as the board of directors. The committee is also required to consider whether the proposed scheme should apply to all types of industrial establishments or only to some specified categories of such establishments employing a prescribed number of employees. If so, what should be the criteria?

It will also consider as to what extent and in what manner, the concept of trusteeship in industry can be given a practical shape in the proposed scheme of workers' participation.

Participation Machinery

The committee will also examine as to what extent and in what manner participation by workers, in the equity holdings of establishments should be encouraged or provided for. Apart from this, whether there should be a special machinery for ensuring implementation of the scheme at central or state levels and for evaluating their working, what should be the nature of such a machinery. Among the 18 members of the committee are: Mr P.V. Bhatt, Labour secretary, Gujarat; Mr V. Krishnamurthy, Labour Commissioner, Kerala; Mr C.D. Khanna, Labour Lommissioner, Punjab; Mr R.N. Srivastava and Mr R.C. Gupta (central sector); Mr R.O. Bhandary (EFI); Mr R.H. Mody (AIOE); Mr K.F. Khosla (A-IMO); Mr K.P. Tripathi, (INTUC); Mr Y.D. Sharma (AITUC); Mr Ram Desai (HMS); Mr N. Sreekantan Nair, MP, (UTUC); Mr P.K. Kurane (CITU); Mr N.C. Ganguli (BMS); Mr R.M. Shukla (NLO); Prof. Nitish R. De, Director, National Labour Institute; Dr S. Chandra, Administrative Staff College, Hyderabad; and Dr Krishan C. Sethi, Indian Institute of Management, Calcutta.

Panel on Prices

An informal group of ministers, headed by Defence minister Mr Jagjivan Ram, was set up on September 20, 1977 to devise the immediate steps that can be taken by the government to control the prices of essential commodities. It is understood that the government might come out with some positive measures in this regard within the next few days under the powers already conferred on it by the Essential Commodities Act. The other members of the informal group which held its first sitting on September 20, 1977 are: Commerce and Civil Supplies minist r, Mr Mohan Dharia, Law minister, Mr Shanti Bhushan and Food and Agriculturc minister, Mr S.S. Barnala.

Curbs on Royalties

The Reserve Bank of India has put curbs on the outgo of royalties to be paid to some of the foreign companies, whi.h have collaboration agreements with Indian units. These royalties are fees paid to foreign collaborators and are linked to capacities of Indian units. It has been found that prior to March 1970, in quite a few cases, royalties were not linked to capacities whereas after that date, royalties were pegged to licensed / registered / approved capacity of a unit plus 25 per cent in excess thereof, if production in a unit has actually exceeded by that much over the licensed/registered/approved capacity.

Now the Reserve Bank has stipulated the restrictive clause is to be applied even to those companies which had collaboration agreements prior to that date. If these companies have exceeded the remittances beyond those allowed to other units which have been restrained after March, 1970—having signed the collaboration agreements after that date—then those excess remittances should be recovered. The Reserve Bank has decided to adjust such excess remittances against the present outgo from the companies to whom the restrictive clause is being applied just now.

Remittances in Foreign Exchange

The Reserve Bank has advised the banks authorised to deal in foreign exchange that, with immediate effect, they should ensure, before making remittances in foreign exchange or transfers of rupees to non-resident bank accounts, that the conterpart rupee payment is made by the remitter only by debit to his acccount with the remitting bank or by a crossed cheque on his own bank, if the remittance or transfer is for a sum equivalent of Rs 10,000 and above. This restriction is applicable irrespective of whether the remittances or transfers are made by authorised dealers under the authority delegated to them by the Reserve Bank or against specific exchange permits (except blanket exchange permits issued) by the Reserve Bank. In the case of blanket exchange permits, however, payments must be received from the permit holders in the above manner irrespective of the amount involved.

Hithero, the restriction on cash payments was applicable to remittances or transfers for values of Rs 50,000 and above made against permits issued by the Reserve Bank.

Stamping on Prices of Textile

Government expects that the order issued recently, compelling textile mills to print on each meter of cloth ex-mill prices and excise duty with effect from September 20, to restore to the consumers their right to bargain with the retailers and get the best out of it. The impact of the new step is reasonably expected to begin to be felt as the festival and marriage seasons get into stride in the next few weeks. The order also extends to stocks already lying with the mills which might have been stamped under the old formula and rolled. These stocks which carry the maximum retail price will have to be unrolled and restamped. The decision to switch over to the new system of stamping was taken after several abortive attempts to discipline the retailers and distributors and get them to reduce their margin of profit, which in the past is believed to have ranged between 40 and 60 per cent of the ex-mill prices.

Employment of Foreign Nationals

The Reserve Bank has formulated a set of guidelines for dealing with applications received from foreign nationals under Section 30 of the Foreign Exchange Regulation Act, 1973. This section places obligation on all foreign nationals (including nationals of Commonwealth countries) to obtain the prior permission of the Reserve Bank for taking up employment in India or practising any profession or carrying on any occupation, trade or business in India, in case they desire to make remittances to foreign countries out of their earnings in India.

Applications for obtaining the necessary permission should be made in the prescribed forms: Form EFN I : Foreign nationals seeking permission to take up employment in India should submit their application in this form through their respective employers in India. From EFN II : This form should be used by foreign nationals desiring to practise any profession, or any occupation. trade or business in India.

Formalities

Applications are to be submitted to the Exchange Control Department of the Reserve Bank within whose jurisdiction a foreign national proposes to take up employment or engage himself in a profession, occupation, trade or business. If the applicant is a national of a Commonwealth country, the application in the form EFN I or EFN II, as the case may be, should be accompanied by a further declaration on the prescribed form. Forms can be obtained from any office of the Reserve Bank or any bank authorised to deal in foreign exchange.

Foreign nationals who have been practising any profession or carrying on any occupation, trade or business in India since prior to January 1, 1974 are required to obtain the Reserve Bank's permission for continuing their profession, occupation, business etc.

With a view to avoiding delays in obtaining individual

DEPARTMENT OF ATOMIC ENERGY

DIRECTORATE OF PURCHASE AND STORES

The Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay invites tenders as detailed below:

(1) Tender No. DPS/RRC/FAB/197 due on 20.10.77. Preparation of shop drawings, supply of fasteners, 'O' rings, manufacture including necessary surface treatments inspection, shop assembly, testing, guarantee, crating, shipment to Fast Breeder Test Reactor Site of Transfer Block Examination Canal in Reactor Containment Building conforming to Purchaser's Tender Document. Qty One Unit.

(2) DPS/BARC/R-5/FAB/39 due on 25.10.77. Design, manufacture, inspection, shop testing, packing, supply and delivery to R-5 Project Site, Trombay, Bombay, erection at Purchaser's option and testing at site of Plate Type Heat Exchangers as per Purchaser's tender document. Qty. 4 Nos.

(3) DPS/BARC/R-5/CAP/70 due on 26.10.77. Copy boring attachment suitable for using on floor type horizontal boring machine, machine spindle details: diameter 125mm, axial traverse 1000mm, etc, as per purchaser's specification and drawings. 1 No.

(4) DPS/BARC/FAB/142 due on 26.10.77. Preparation of shop drawings, fabrication, assembly, inspection, testing and delivery of Pool Boiling Coolers, Preheater, Separators for 3 MW Boiling Water loop as per purchaser's tender documents and drawings. Qty. as per tender documents.

(5) DPS/RRC/PPF/187 due on 31.10.77. Supply of Bellow Seal Valves for thermofluid service as per purchaser's tender specifications.

(6) DPS/RRC/PPF/189 due on 1.11.77. Supply of Spring Loaded safety Valves as per purchaser's tender specification.

(7) DPS/NFC/MTL/416 due on 2.11.77. High purity Tin Powder as per purchaser's tender specification. Qty. 2 M.T.

(8) DPS/RRC/PPF/197 due on 2.11.77. Supply of Manually operated bellows sealed valves as per purchaser's tender specifications.

(9) DPS/RRC/PPF/198 due on 3.11.77. Supply of Stainless steel diaphragm Valves as per purchaser's tender specification.

(10) DPS/AMD/CAP/287 due on 4.11.77. Diamond core bits casing shoes, reamer shells etc, as per purchaser's specification.

(11) DPS/RRC/PPF/199 due on 4.11.77. Supply of Safety and Relief Valves as per purchaser's tender specification.

(12) DPS/BARC/IEE/1266 due on 2.11.77. Ge(Li) coaxial Detector for environmental radioactivity and trace element measurement. 1 No.

(13) DPS/BARC/IEE/1267 due on 2.11.77. Thick Nal (Tl) Detector integral assembly. 1 No.

(14) DPS/BARC/IEE/1268 due on 3.11.77. Intrinsic Germanium coaxial detector with preamplifier. 1 No.

(15) DPS/BARC/IEE/1270 due on 4.11.77. Hyper pure Germanium low energy photon detector. 1 No.

(16) DPS/RRC/IEE/322 due on 7.11.77. 5 digit AC/DC Ratiometer panel mounted.

(17) DPS/HWP/IEE/63 due on 7.11.77. Pneumatic Calibrator Range 0 to 1 kg/sq. mm. 1 No.

(18) DPS/NFC/CAP/473 due on 16.11.77. Extrusion press toolings such as container liner, stem, mandrel holder and die holder, as per purchaser's specifications and drawings.

(19) DPS/NFC/CAP/485 due on 17.11.77. Three co-ordinate measuring machine for dimensional measurement of medium sized parts in x, y and z axes, measuring range in x and y axes 300 mm and measuring range in z axes 125 mm, as per purchaser's specification. 1 No.

Tender documents priced Rs 10 for items 7, 8, 11 to 15, 17, Rs 15 for items 5, 9 & 16, Rs 25 for items 3, 6, 10, 19, Rs 50 for items 1 & 18 and Rs 200 for items 2 & 4 and general conditions of contracts priced 50 Paise for all items except items 1, 2 & 4 can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd floor, Mohatta Building, Palton Road, Bombay-400 001 between 10 a.m. and 1 p.m. on all working days except on Saturdays for all items except items 3, 10, 18 & 19 which are available only upto 19.10.77, 27.10.77, 9.11.77 and 11.11.77 respectively. Import licence will be provided in respect of all items except Nos. 1, 2 & 4 only if the items are not available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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approvals in cases where the services of foreign technicians are required for periods exceeding 12 man-months for erection, supervision, commissioning, test-runs, training of Indian personnel in connection with the implementation of new industrial projects as well as expansion of existing industrial projects approved by government, it has been decided that the Indian firms/companies proposing to engage foreign technicians should apply to the Secretariat for Industrial Approvals, Department of Industrial Development, Central Receipt and Despatch Section, Government of India, Udyog Bhavan, New Delhi-110011, for package approval of the Technical Service Arrangements required for implementing the project. Once the government's approval has been obtained, the Indian firms and companies will be free to engage foreign technicians within the scope of such approval, but the latter will have to submit to the Reserve Bank formal applications in form EFN I through the Indian firms/companies for permission under Section 30 of the Act.

Sub-Committee on News Agencies

The union cabinet on September 20, 1977 appointed a five-member cabinet subcommittee to consider the future set-up of news agencies in the light of the Kuldip Nayar committee report and the comments received from various quarters on it. The sub-committee constituted at a meeting of the cabinet recently will consist of Mr Jagjivan Ram, Defence minister, Mr Shanti Bhushan, minister for Law, Mr Madhu Dandavate, minister for Railway, Mr Ravindra Varma, minister for Labour and Mr L.K. Advani, minister for Information and Broadcasting.

No time limit has been fixed for the sub-committee to report back to the cabinet. It is, however, understood that the cabinet will take a decision early on the basis of the recommendations of the sub-committee.

Mahindra Jeeps on Trial in Tanzania

The government of Tanzania has at present 'under trial' Mahindra jeep vehicles with a view to their possible introduction into the Tanzanin market. The Tanzanian 4-wheel drive market has so far been dominated by Great Britain and Japan and the entry of Mahindra jeeps will signify a major achievement for the Indian automobile industry.

Skills Competition

Two apprentices of Tata Engineering and Locomotive Co Ltd, (TELCO), Poona, have been selected for the President's Gold Medal in the Eighteenth All-India Skills Competition for Apprentices held by the government of India in January, 1977. This brings the total of TELCO apprentices who have won the President's Gold Medal since the competition was started to thirteen. The two winners are Mr M.S. Sharma (Fitter) and Mr S.M. Kelkar (Turner). Each of the apprentices will receive a certificate of merit, a tool kit and a cash prize of Rs 5,000. They will, additionally, be entitled to a free trip around the country to see various industrial establishments. On the basis of the competition, TELCO, Poona, has also been declared as the best training establishment in India. It has won the President's trophy and a certificate of honourable mention. TELCO, Jamshedpur, had won this trophy in 1974 and 1976.

German Investment in India and Abroad

German private investment in India increased in 1976 to DM 178.5 million. Compared to the potential of German investment in foreign countries, India should have a much larger share of German investment, taking into account the potential of the Indian market and the available natural resources and skilled manpower. Entreprenuers from the Federal Republic of Germany would like to expand their trade relations with India and could increase their investment substantially which would not only lead to further technology transfer, but also to additional employment.

The promotion of collaboration, either technical or financial, is one way of developing trade and industry and fostering economic growth in India. Indo-German collaborations earn or save more foreign exchange for India by way of exports or import substitution than they spend by way of remittances and imports. A recent survey, undertaken by the Indo-German Chamber of Commerce reveals: in 1974-75, the 52 biggest Indo-German companies had foreign exchange earnings or savings of the amount of Rs 1354.2 million against an out-flow of foreign exchange of Rs 371.6 million.

German businessmen have invested almost DM 50,000 million abroad since 1952. Recent dramatic changes in the conditions of international commerce have also prompted German industries with substantial involvement in commerce throughout the world to attune company strategies to the changing conditions. A recent survey conducted by the Munich-based Institut fur Wirtschaftsforschung (Institute for Economic Research) showed that investors cited the need to hold markets as the prime reason for investing abroad. Greater proximity to these markets enhanced the likelihood of retaining them. For this reason, a partial shift of production facilities was being undertaken. Also figuring prominently in such considerations were cost advantages in both production and transport terms, as well as bypassing import restrictions established by these nations. Most of the West German firms polled intended to continue to increase their investments abroad and to expand their foreign production sites more than those at home. The leading nations for German investors abroad are the United States, Belgium (incl. Luxembourg), France, Switzerland and Brazil.

Tata Power Project

The Tata group of hydro-electric companies has received the formal approval of the govennment of India for installation of an additional 500 MW unit at Trombay. According to Mr Naval H. Tata, chairman, Tata group of hydro-electric comparnies, this unit will be a multi-fuel unit capable of operating on coal, fuel oil or gas. Normally it will use coal. The adjustment in fuel will be made according to what the goverment is able to provide.

The cost of the project is estimated at Rs 175 crores. Arrangements are being made for financing the project. The turbo-generator set for the 500 MW unit will be obtained from the Bharat Heavy Electricals, which has entered into technical collaboration agreement with Kreaftwerk Union of West Germany for unit size

ranging from 100 MW to 200 MW. The rest of the equipment is expected to be procured by international tendering as per the World Bank procedures according to which indigenous suppliers will not only be permitted to bid but will also have preferential treatment by way of price incentives. The installation of this unit will go a long way to alleviate the chronic power shortage in western Maharashtra.

Mr Tata has said that all the measures will be taken to incorporate in the design of the unit most modern technical features to ensure environmental capability.

Payment to Railwaymen

The cabinet has decided to grant an additional Rs 15 crores out of the railway revenues to the Railway minister for staff welfare and amenities in appreciation of the dedicated work of railwaymen. A spokesman of the Railway ministry, however, clarified this decision had nothing to do with railwaymen's demands. It is understood that Railway minister, Mr Madhu Dandavate, would initiate informal discussions in the matter with the railwaymen. This will be in addition to the amount already provided in the current year's budget for this purpose.

Transfer of Technology

Addressing the first annual general meeting of the National Association of Consulting Engineers recently, Dr A. Ramachandran, secretary, department of Science & Technology stated that Indian consultants have a useful and constructive role to play in all the different categories of technology transfer, assisting both the recipients and the donors. Such transfer could cover international technology transfer to India, intra country transfer within India and export of technology from India. He mentioned that the donors of technology preferred technologically advanced industrial partners to obviate the problems inherent in the transfer of technology. A consultancy organisation can evaluate the capability of local suppliers to meet the requirements of a mother plant and advise the type of mechanism required to ensure effective technology transfer.

Based on the experience on the transfer of technology from R & D institutions to industry the main feature noticed were: (1) Technology should serve an economic purpose in its transfer to industry; (2) Major part of the work should be completed at the laboratory stage with further work at the pilot plant if needed to minimise difficulties at the plant level; (3) The efforts of the entrepreneur is an important factor which will determine the success of transfer of technology. (4) Involving engineers at the laboratory stage could help in avoiding difficulties at the commercialisation stage. Consulting engineers and design engineering firms could supplement the efforts of an R & D institution and entrepreneur. (5) The choice of process for R & D is an important factor. It may take two or three years to develop a process and another two years to set up a unit but by this time technological changes may render the process developed obsolete. (6) Greater attention should be given to work on pilot plants prototypes and demonstration units. (7) Consulting engineers could be helpful in avoiding unnecessary expenditure if well laid out procedures are available for upscaling

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results. A trained cadre of engineers who could upscale procedures are needed; (8) There is need for packaging technology and delivering to the industry; (9) The package should consist of technology engineering services and finances. This concept will be helpful to the entrepreneur in small scale sector.

ISI Convention

The Seventeenth Indian Standards Convention of the Indian Standards Institution (ISI) will be held at Jaipur from November 27 to December 3, 1977. The convention programme provides for one general and six technical sessions dealing with importance of standardisation and quality control in diverse fields, namely, standards in daily life, housing for people, coordinated utilisation of national testing facilities. voluntary *versus* compulsory certification of products, educational utilization of standards; industrial safety and quality improvement in small-scale industries.

Duty Drawback Rates Reduced

Duty drawback rates for most promising engineering export items have been drastically reduced, according to a latest revision made by the Drawback Directorate in the Finance ministry. What is more, the new rates are valid for a limited period only—from September 18 to October 14. After that, the rates will undergo a further downward revision, though they will continue for an unspecified period.

Reduction in rates is because either the excise or import duty has been lowered or concerned units have not supplied requisite information to the Drawback Directorate. New rates have not been fixed for items like EOT cranes, PILC cables, shock absorbers, industrial automotive steel roller chains ete. For ungalvanised and galvanised malleable iron pipe fittings, the old rates of Rs 70 a tonne and Rs 373 a tonne contiune. Items whose drawback rates have been reduced include electrical transmission line towers, steel tubes and pipes, steel bars and rods, mild steel wire, steel castings—(both unmachined), steel structurals —(heavy and non-fabricated), bright steel bars, steel wire products, bolts and nuts, AAC and ACSR etc.

SEEPZ is Three

On completion of three years of its operation on September 1, 1977, Santa Cruz Electronics Export Processing Zone (SEEPZ) looks forward to achieving a three-fold jump in its export target for the current year 1977-78. In 1976-77 the export from SEEPZ reached Rs 3 crores from Rs 5 lakhs in 1974-75 and Rs 50 lakhs in 1975-76. So far during the current year (April to August), exports from the zone have been of the order of Rs 1.55 crores as against Rs 80 lakhs during the same period in the previous year indicating a hundred per cent increase.

With the worldwide recovery in electronics industry having set in, SEEPZ has been a centre of attraction for offshore investors. Quite a number of visiting delegations, industrialists, diplomats, journalists and economists from different parts of the globe have been visiting SEEPZ in the recent months and they have all gone back fully satisfied with the promising potential of SEEPZ This has created a sudden increase in demand for built-up space as well as for open plots. All the 32 spaces in the standard design factory where built-up areas are provided by SEEPZ on a five year lease have been allotted and SEEPZ administration is unable to cope up with the increasing demand for space in this. Presently 21 units are functioning in SEEPZ. By the year end it is expected that about 30 units would be in production.

Of the units which are to commence operations very shortly are Tata Burroughs to manufacture computer peripherals; Peerless Fabrikkerene, the first Danish firm to set up an offshore facility in the eastern hemisphere for manufacture of loudspeakers; photophones for professional and mass communication systems and Devidayal Electronics who have been permitted to shift their operation from domestic area to SEEPZ.

Names in the News

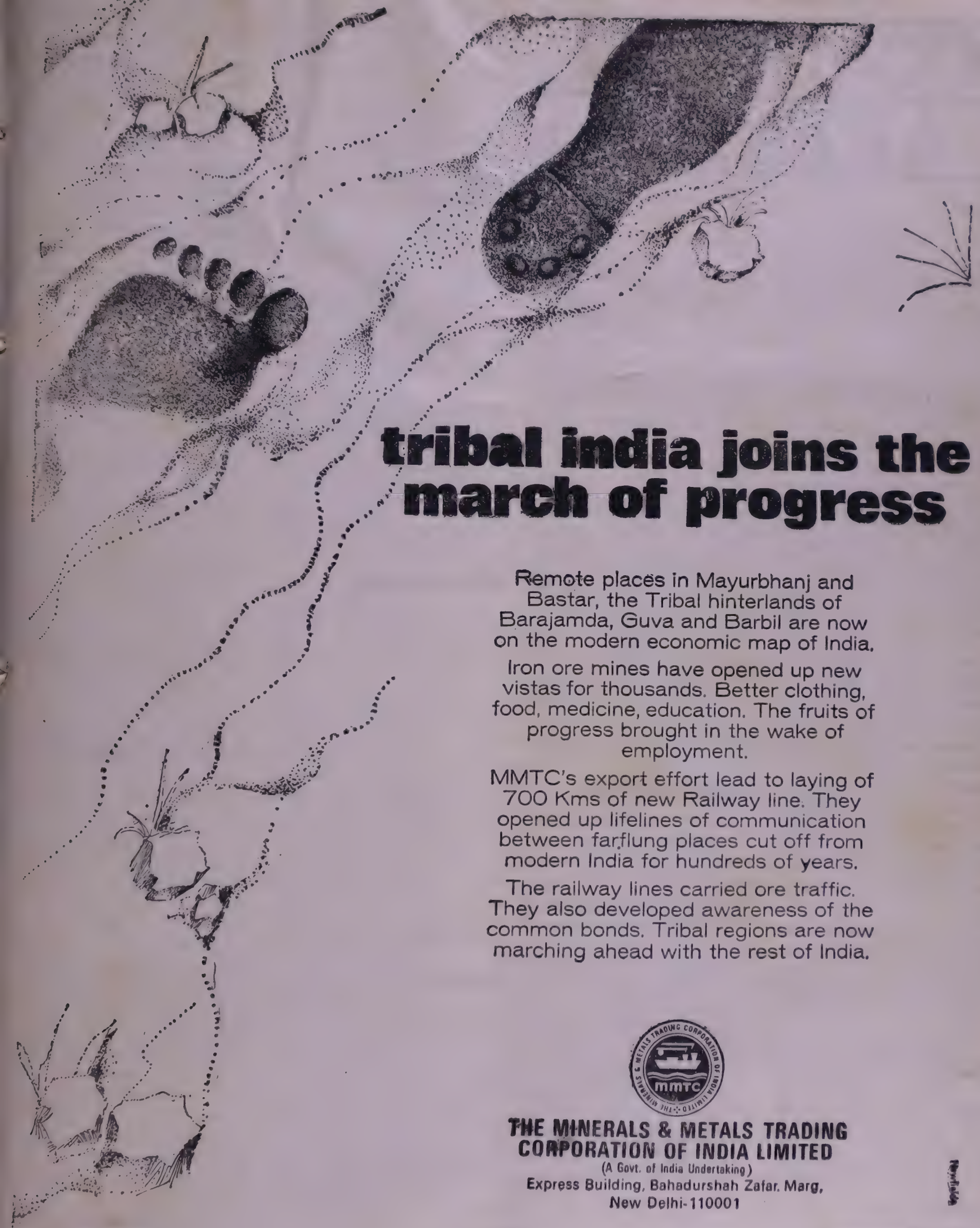
The following were elected office-bearers of the Federation of All-India Foodgrains Dealers' Association: **Mr Bhani Ram Gupta,** president; **Mr Laxmi Narain Poddar**, first senior vice-president; **Mr Baldevbhai Bosebhai Patel (Ahmedabad)**, second senior vice-president; **Mr Bishambhar Dayal Aggarwal (Lucknow)** first junior vice-president; **Mr Satya Narain Gupta (Hyderabad),** second junior vice-president; **Mr Premji Bhanji (Bombay),** general secretary; **Mr A.K.J. Saheba (Ahmedabad),** first joint secretary; **Mr Jamboo Kumar Jain (Kota)**, second joint secretary; and **Mr Gauri Shankar (Delhi)**, treasurer.

Mr B.S. Dass, fulltime member of the International Airport Authority of India since 1974, has been appointed as its chairman. He succeeds Air Marshal H.C. Dewan who was appointed chairman of the IAAI during the emergency and had relinquished office recently. Before joining the IAAI, Mr Das had served in Indian missions in Moscow, London and Bhutan and also the External Affairs ministry in Delhi. He also served as commissioner of the Delhi Municipal Corporation.

Mr B.K. Chatterji has assumed charge as managing director of the State Bank of Bikaner & Jaipur. He succeeds Mr Satya Dev who has proceeded on leave preparatory to retirement. Mr Chatterji joined the Imperial Bank of India in 1944 and has held many important assignments such as chief accountant State Bank of India, Kanpur local head office, general manager, State Bank of Saurashtra deputy secretary and treasurer State Bank of India, Calcutta local head office, chief general manager, Bhopal. Mr Chatterj was the chief general manager State Bank of India, Bombay local head office prior to his present posting.



Mr B. K. Chatterji



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COMPANY AFFAIRS

Escorts

ESCORTS PROPOSES to issue bonus shares for every five shares held. The proposed bonus issue is subject to the approval of the Controller of Capital Issues and the lending financial institutions and will mean capitalisation of Rs 3.14 crores from the general reserve. The directors have also announced an interim dividend of eight per cent for the current year. The company's reserves totalled Rs 7.95 crores at the end of 1976. According to Mr H.P. Nanda, chairman, the reserves are expected to be around Rs 8 crores at the close of 1977 even after the proposed bonus issue.

The company's turnover in the first eight months of the current year exceeded Rs 65 crores against Rs 56 crores in the same period of last year. According to provisional accounts, the profit is placed at Rs 5.75 crores during the period against Rs 5 crores in the same period of 1976. In the first eight months of 1977, the company has sold 8,100 Escort and Ford tractors against 6,300 tractors in the corresponding period of 1976, thus enjoying over 33 per cent of the country's total tractor market.

The production and sales of the two-wheeler Rajdoot also were higher at 18,800 vehicles against 16,000 vehicles in the same period of 1976. There has been an increase in production and sales of all products manufactured by the company except piston assemblies, which suffered due to shortage of raw materials as a result of labour troubles in the factories of major suppliers and power cuts. Having augmented its stand by power generating facilities and the arrangements made for the import of essential raw materials, the company is hopeful of maintaining a progressive sales trend as well as profitability.

The expansion project of piston assemblies at Bangalore is expected to be in operation towards the close of this year, where ring carrier pistons will be manufactured for the first time in the country. The company has recently secured against global competition an order of Rs 2 crores from the National Development Corporation, Tanzania, towards a turnkey project for the manufacture of farm implements.

Boehringer-Knoll

Speaking at the annual general meeting of Boehringer-Knoll Ltd, Mr B.S. Bhagat, chairman and Mr R. Hoon, mananging director, indicated a satisfactory growth rate and good prospects for the future. During the year ended April 30, 1977, the company had increased its sales by 18 per cent and its profit before tax by 20 per cent. This was mainly achieved by fuller utilisation of capacity and better cost control in all operations of the company. The shareholders have approved a resolution increasing the dividend from 13 per cent to 14 per cent in the current year. The Maharashtra government has approved the expansion of the chloramphenicol plant in the company's existing factory at Thane, for which an industrial licence is expected shortly.

The company proposes to undertake the manufacture and marketing of a wide range of diagnostics in technical collaboration with Messrs Boehringer Mannheim, GmbH who are internationally renowned in this field. An application for an industrial licence for this project is awaiting government approval. Applications for industrial licences have also been submitted for the basic manufacture of theophylline, aminophylline and alpha methyl dopa. The location of these projects shall be decided in consultation with the Maharashtra government.

Modi Spinning

Modi Spinning and Weaving Mills has declared an equity dividend of 18 per cent for the year ended April 1977. The company has made a lower gross profit of Rs 3.78 crores against Rs 3.84 crores in the previous year. After providing Rs 1.03 crores (Rs 90 lakhs) for depreciation, Rs 35 lakhs (Rs 2 lakhs) for investment allowance reserve and Rs 50 lakhs (Rs 1.52 crores) for taxation, there is a surplus of Rs 90.48 lakhs against Rs 142.21 lakhs. Preference and equity dividend will absorb Rs 62.27 lakhs.

Graham Firth Steel

The production of Graham Firth Steel Products (India), in the first five months of the current year (April-August) was higher at 3,087 tonnes against 1,928 tonnes in the same period of previous year. The company has already achieved its licensed capacity which stands at 7,200 tonnes per annum. The company having achieved 100 per cent capacity utilisation is likely to come forward with an expansion programme in the current year. The proposal is being studied from the technical as well as financial point of view. According to Dr Pranlal J. Patel, the chairman, the company's diversification programme is now well identified. It is processing various qualities of low carbon and medium carbon materials.

Carona Sahu

The directors of Carona Sahu have stepped up the dividend by two per cent to 12 per cent for the year ended April 30, 1977. The company has reported a lower profit before tax of Rs 35.37 lakhs on a turnover of Rs 12.61 crores as against a profit of Rs 40.22 lakhs on a turnover of Rs 11.21 crores in the previous year. After providing Rs 1.26 lakhs (Rs 3,500) for investment allowance and Rs 24.50 lakhs (Rs 34.56 lakhs) for taxation, the net surplus is higher at Rs 9.61 lakhs compared to the previous year's Rs 5.60 lakhs.

Kirloskar Pneumatic

The directors of Kirloskar Pneumatic have proposed a dividend of 12 per cent for 1976-77 on the increased capital resulting from the issue of bonus shares in the ratio of one share for every two shares held. In the preceding year a dividend of 16 per cent was declared. The proposed dividend will absorb Rs 30.88 lakhs. The company has fared better during the year under review. Its sales including works contracts have gone up from Rs 14.63 crores to Rs 16.02 crores. The gross profit has risen from Rs 2.13 crores to Rs 2.54 crores. The provision for depreciation is higher at

Rs 46.82 lakhs and investment allowance claims Rs 6.50 lakhs. There has been a sharp step up in the provision for gratuity and superannuation from Rs 4.03 lakhs to Rs 36.44 lakhs and taxation claims Rs 93 lakhs against Rs 80 lakhs. The net profit is slightly lower at Rs 71.61 lakhs against Rs 79.12 lakhs. The allocation to the debenture redemption reserve has been maintained at Rs 7 lakhs. A sum of Rs 40.24 lakhs has been transferred to general reserve.

Apollo Tubes

Apollo Tubes has proposed a maiden tax-free dividend of six per cent for the year ended April 1977. The company has achieved substantially higher sales, production, exports and profits during the year. Sales have risen more than three-fold to Rs 737.53 lakhs from Rs 210.99 lakhs and the gross profit amounted to Rs 31.63 lakhs against a loss of Rs 10.92 lakhs in the previous year. After providing Rs 8.53 lakhs (Rs 6.05 lakhs) for depreciation and writing off Rs 38,355 for preliminary and share issue expenses there is a surplus of Rs 22.71 lakhs against a loss of Rs 16.97 lakhs. The proposed equity and preference dividends will absorb Rs 4.21 lakhs. After adjusting the brought in loss, a sum of Rs 1.53 lakhs has been transferred to general reserve.

Production of steel pipes and tubes has risen to 17,422 tonnes from 7,349 tonnes and sales to 18,168 tonnes from 5,403 tonnes. The company has exported about 30 per cent of its production and earned a foreign exchange of Rs 1.54 crores. It proposes to manufacture soon pipes and tubes of 65 MM and 80 MM sizes which will provide a better product-mix and further improve the offtake of its products, both at home and abroad.

Brooke Bond

Brooke Bond India has declared an equity dividend of Rs 1.30 per share for the period July 4, 1976 to July 2, 1977. This dividend is payable on the enlarged capital resulting from the bonus and rights shares issued during the period. According to the preliminary figures, the company's total income rose by about 18 per cent to Rs 188.62 crores, mainly due to a substantial rise in exports from Rs 37.34 crores to Rs 57.67 crores. The pre-tax profit was, however, lower at Rs 4.58 crores against Rs 5.33 crores in the previous period, due to higher commodity costs. After providing Rs 2.77 crores (Rs 3.25 crores) for taxation and other expenses the net profit was lower at Rs 1.78 crores against Rs 2.05 crores. The proposed dividends will absorb Rs 1.60 crores.

News and Notes

Dagger-Forst Tools is diversifying its activities. It has secured an industrial licence to manufacture threading tools and a 'letter of intent' for manufacture of micro drills. Capital goods clearances for both the projects have been received. Besides, the company has received another 'letter of intent to manufacture splin mandrels, master gears and serrated rollers in collaboration with W. Forst Engineers (Coleshill), the present collaborators for the manufacture of guages. Foreign collaboration for the project has been approved in principle. These products will enlarge the type of tools made in the guages unit. The company has started production of guages at Aurangabad and the quality of the products has been accepted by customers.

During the year ended March 31, 1977, the company achieved a turnover of Rs 1.62 crores against Rs 1.43 crores in the previous year, despite the recessionary conditions in the market, and earned a grors profit of Rs 48.59 lakhs against Rs 56.65 lakhs (a year before. After providing Rs 18.62 lakhs (Rs 16.25 lakhs) for depreciation, Rs 2.25 lakhs (nil) for investment allowance and Rs 15 lakhs (Rs 22 lakhs) for taxation, the net surplus amounts to Rs 12.72 lakhs (Rs 18.40 lakhs), Out of this, the proposed equity dividend of 10 per cent and the usual payment on preference capital will require Rs 6.54 lakhs. A portion of the dividend will qualify for a relief in tax.

Parmanu, a new industrial area in Himachal Pradesh, is fast developing into one of the biggest industrial complexes of the state. The new addition to the complex would be the one crore rupees watch cases project which would go into production by the end of next year. According to Mr Ashok Khanna, the managing director of the **Khanna Watches Limited**, the company which is promoting this project, all formalities have been completed for the setting up of the project. The project would have a capacity of one million watch cases (all steel) annually. It has already entered into a contract for the supply of entire production with the Hindustan Machine Tools, although HMT requires two million watch cases annually. It is being launched with the foreign collaboration of M/s S.B.B.M., Burdet of France. The Himachal State Financial Corporation has also promised help in promoting this project.

New Issues

The Rs 270-crore fertiliser project of **Gujarat Narmada Valley Fertilisers** is expected to be commissioned by the end of 1979. The project, to be located in a backward area of Bharuch district (Gujarat), is proposed to be financed by the share capital of Rs 54 crore and term loans of Rs 216 crores. The company is expected to enter the capital market shortly with a public issue of shares. The company has so far incurred a capital expenditure of about Rs 24 crore and has placed orders for major imported machinery as well as for critical Indian equipment valued at about Rs 26 crores. The total foreign exchange component in the project is placed around Rs 83 crores. The first shipment of the imported machinery is expected to arrive at the site around November next.

The project has been promoted by the Gujarat State Fertilizers Company (GSFC), which is subscribing for 25 per cent of the equity capital of GNFC. The Gujarat government is taking up 26 per cent of the equity capital and 49 per cent will be offered to the public. The project would directly employ about 600 persons.

A joint-sector project for manufacture of cresole and its by products is being established at Ankleshwar in Gujarat by a new company called **Gujarat Aromatics** in technical collaboration with three reputed Japanese firms. The company has been promoted by Gujarat Industrial Investment Corporation in association with Raipur Manufacturing. Cresole, an organic heavy chemical, is at present not manufac-

tured in India and the entire demand is met by imports. It is extensively used in manufacture of resins, plasticisers, disinfectants, antioxidants and agricultural chemicals and its demand is growing.

Synthetic Cresoles

The government of India had issued five 'letters of intent' to various firms to undertake manufacture of synthetic cresole, but only this company has made substantial progress to implement the project. Civil construction for the plant, buildings is in progress and erection of the equipment is expected to commence from March 1978. The management hopes to start trial runs from January and commercial production from March, 1979. The project is estimated to involve a capital outlay of Rs 9.50 crores. This is proposed to be financed by share capital of Rs 3.36 crores, long-term rupee loans from IDBI, IFCI, ICICI, UTI, GIIC of a total amount of Rs 4.87 crores, a foreign currency loan from ICICI of Rs 1.12 crores and central subsidy of Rs 15 lakhs.

The company proposes to make a public issue shortly of equity capital of Rs 159.74 lakhs and preference capital of Rs 10 lakhs. After the public issue GIIC will be holding 26 per cent of the company's equity capital, Raipur Manufacturing and its nominees 25 per cent and the general public 49 per cent. The board of directors is headed by Mr K.T. Satarawala, former managing director of Indian Airlines.

Himachal Worsted Mills Ltd proposes to issue 450,800 equity shares of Rs 10 each for cash at par to the public. The subscription list will open at the commencement of banking hours on October 5, 1977 and will close at the close of banking hours on October 15, 1977 or earlier at the discretion of the board of directors of the company but not before the close of banking hours on October 7, 1977.

The Himachal Pradesh Mineral and Industrial Development Corporation Limited (HPMIDC Ltd), holding company of Himachal Worsted Mills Limited is a wholly owned corporation of the Himachal Pradesh government, engaged in the industrial development of the state. The HPMIDC Ltd has so far floated three subsidiary companies including Himachal Worsted Mills Limited for the execution of different projects in Himachal Pradesh. It proposes to float few other companies for the execution of some other projects in the joint sector.

Import Licence

An industrial licence has been obtained from the central government for the installation of 2400 Worsted Spindles. The company has also obtained licences for the import of capital goods from France, Japan and the UK.

The Himachal Worsted Mills Limited had acquired land measuring about 2.132 acres at Nalagarh—a notified industrially backward area of district-Solan for the location of the factory. The cost of this project has been estimated at Rs 234 lakh.

Out of the proposed equity share capital of Rs 92 lakhs the contribution of the HPMIDC Ltd (the promoter company) is Rs 46.92 lakhs which they have fully paid up. The long term loan of Rs 127 lakhs has already been sanctioned by the Industrial Development Bank of India (IDBI-Rs 47 lakhs), Industrial Finance Corporation of India (IFCI—Rs 30 lakhs), Industrial Credit and Investment Corporation of India (ICICI—Rs 20 lakhs) and Life Insurance Corporation of India (LIC—Rs 30 lakhs).

Substantial Progress

The company has made substantial progress in the implementation of the project. The construction of factory building has been completed and the remaining civil construction is expected to be completed by the end of this year. The imported machinery from France has been received and erected. The machinery from Japan is expected to arrive by November, 1977. Part of indigenous machinery has been received and is under erection. The entire 2400 spindles are expected to go into trial production by the end of the 1977.

Despatches of **Machinery Manufacturers Corporation** in the first five months of the current year (April-August) have been lower at Rs 325.54 lakhs against Rs 405.11 lakhs in the same period of the previous year. The order intake during the period was also lower at Rs 212.14 lakhs against Rs 225.48 lakhs. The management however, expects that the trend of both order intake and despatches will improve in the remaining period of the current year. Total despatches might be somewhat lower than in 1976-77, but the gross profit is likely to be maintained at the previous year's level. Things have started improving and prospects are considered good.

According to Mr I. Chatterji, chairman, the company proposes to undertake a major diversification programme in order to flatten the fluctuating textile machinery demand curve. For the proposed project at Bangalore, steps have already been taken for arranging finance. The project will be undertaken as soon as the sanctions from the government of India and the Textile Commissioner are received. Under the diversification programme the company proposes to manufacture industrial haulage equipment and epoxy moulded castings, mainly for electrical fittings.

The Titaghar Paper Mills has reduced its equity dividend from 10 per cent to 8 per cent for the year ended March 1977. Though sales have risen to Rs 27.76 crores from Rs 35.45 crores and production to 78,88 tonnes from 78,191 tonnes, the profit after depreciation has fallen steeply to Rs 70.61 lakhs from Rs 3.40 crores in the previous year. After providing Rs 26 lakhs for investment allowance reserve against Rs 50,000 for development rebate reserve nil (Rs 1.65 crores) for taxation, there is a surplus of Rs 44.61 lakhs against Rs 1.75 crores. Preference and equity dividends will absorb Rs 36.48 lakhs against Rs 53.05 lakhs. The balance of Rs 8.13 lakhs (Rs 1.22 crores) has been transferred to general reserve.

High Royalties

The directors state that the results were affected by the upward revision of royalty on bamboo and timber leases by the state government and depressed market conditions. The first phase of the modernisation and expansion scheme under the crash programme has been completed or is near completion in all the three mills. For the second phase which envisages increase in the production facilities and improving the power and steam generation, the company is in communication with the financial institutions in India and abroad.

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ANNOUNCEMENT REGARDING THE ISSUE OF 7,80,000 EQUITY SHARES OF Rs. 10 EACH FOR CASH AT A PREMIUM OF Rs. 4 PER SHARE

Applications have been made to the Stock Exchanges at Calcutta and Bombay for permission to deal in and for an official quotation, for the entire issued Equity Shares of the Company.

The subscripton list will open at the commencement of the banking hours on Monday, the 10th October, 1977 and will close at the close of banking hours on Tuesday, the 25th October, 1977, or earlier at the discretion of the Board of Directors of the Company, but not before the close of banking hours on Thursday, the 13th October, 1977.

Gestetner

Indian Duplicator Company Limited

(Formerly known as 'Gestetner Duplicators Private Limited')
Incorporated on 19th August, 1924 under the Indian Companies Act, 1913.
Registered Office: 114, Dr. Lal Mohan Bhattacharjee Road, Calcutta 700 014

HISTORY

The Company was incorporated as a Private Limited Company on 19th August 1924, under the name D. Gestetner (India) Limited. The name was changed from time to time and finally in April, 1975, to Indian Duplicator Company Private Limited. The Company was converted into a Public Company on 7th September 1977.

NON-RESIDENT INTEREST

The Company is a wholly owned subsidiary of Gestetner Holdings Ltd., U.K. (U.K. Company) who are not only the pioneers in the reprographic industry in the world but also the market leaders in the manufacture and sale of duplicating machines stencil and ink. After the present issue has been fully subscribed the non-resident interest in the Company's share capital will be reduced to 40%.

EXISTING AND PROPOSED ACTIVITIES

The concept of mass communication at a minimal cost by the duplicating process was introduced in India by this Company. Today, the word "Gestetner" is a familiar name used frequently to mean the duplicating process.

The Company is now a predominantly manufacturing one engaged in manufacture of duplicating machines, both hand and power driven, stencil, ink, correcting fluid and accessories The Company is also trading in

PROFITABILITY AND PROSPECTS

The Company has a record of increasing sales for past years. It has satisfactory profit record from its inception excepting 1974-75. Compared to the previous year, the Company has reported improved performance for the first half of the current financial year (November 1976—April 1977).

The Board of Directors is of the opinion that in the absence of unforeseen circumstances, the Company will earn sufficient profits to pay reasonable dividends

RESERVES

Even after recent capitalisation, the Company's reserve stands at an impressive figure of Rs. 203.90 lakhs which is more than 1½ times of the enlarged paid-up capital base of Rs. 130 lakhs.

OBJECTS OF THE ISSUE

The objects of the present issue are to comply with the Government of India's policy of Indianisation of foreign controlled companies under the FERA, and to reduce the non-resident interest to 40 per cent and to augment the working capital for the Company's activities.

RIGHTS ATTACHED TO EQUITY SHARES UNDER ISSUE

These shares will rank pari passu in all respects with the existing Equity Shares except that in case of

SHARE CAPITAL

Authorised

	Rupees
20,00,000 Equity Shares of Rs. 10/- each	2,00,00,000

Issued, Subscribed and alloted as Fully Paid up

5,20,000 Equity Shares of Rs 10/- each issued, subscribed and allotted as fully paid-up (of which 20,000 Equity Shares were allotted pursuant to a contract without payment being received in cash and 5,00,000 Equity Shares as bonus shares by way of capitalisation of Reserves).	52,00,000

These shares are held by Gestetner Holdings Limited, incorporated in the United Kingdom, and its nominees who are also bodies corporate incorporated in the United Kingdom.

	NOMINAL VALUE Rupees	PREMIUM Rupees
Present Issue		
7,80,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 4/- per share.	78,00,000	31,20,000
Out of Present Issue		
A. Reserved for firm allotment		
i) 20,000 Equity Shares of Rs. 10/- each at a premium of Rs. 4/- per share for cash (payable in full on application) have been reserved for subscription by the Directors, their Associates and Employees of the Company, who are Indian Nationals resident in India, subject to a maximum of 200 Equity Shares to one person on condition that the shares allotted to them will not be transferable for a period of at least 2 years from the date these shares are fully paid up.	2,00,000	80,000
ii) 1,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 4/- per share for cash have been reserved for subscription by,		

THIS ISSUE IS RESERVED FOR NRIs

C. Brokers*

Batliwala & Karani	1.00	1.40
Bhupendra Champaklal Devidas	1.00	1.40
Chimanlal Manekial	0.25	0.35
Dalal & Broacha	0.50	0.70
D.S. Purbhoodas & Co.	0.50	0.70
Dhirajlal Maganlal Sons	0.25	0.35
Harkisondass Lukhmidass	1.00	1.40
Harish Chandra Gutt & Co.	0.50	0.70
Jamnadas Khushaldas & Co.	0.50	0.70
Jamnadas Morarjee & Co.	0.50	0.70
Jasvantlal Chhaganlal	0.25	0.35
Jasvantlal Chhotalal & Co.	0.25	0.35
Lewis & Jones	0.50	0.70
L.K. Panday Merwanjee	1.00	1.40
Bomanjee Dalal	0.50	0.70
Valji Bhimji & Co.	1.00	1.40
Behari Lal & Co.	0.50	0.70
Bharat Bhushan & Co.	0.50	0.70
H P. Mehta & Co.	0.50	0.70
Jalan & Co.	0.50	0.70
J.C. Mehta & Co.	0.50	0.70
Raja Ram Bhasin & Co.	0.25	0.35
Surinder Rode & Co.	0.25	0.35
Vinod Kumar & Co.	1.00	1.40
V.N. Bhasin & Co.	0.25	0.35
Brijnath Khandelwal & Co.	0.25	0.35
C. Mackertich	0.50	0.70
G.M. Bosu	0.50	0.70
G.M. Pyne & Co.	0.50	0.70
Place, Siddons & Gough (Pvt.) Ltd.	1.50	2.10
Ram Narain Kayan & Co.	0.50	0.70

Calcutta
BRIJNATH KHANDELWAL & CO., 13, India Exchange Place • C. MACKERTICH, 7, Lyons Range • G.M. BOSU, 7, Lyons Range • G.M. PYNE & CO., 14, India Exchange Place • M.M. MURARKA & CO. 7, Lyons Range • PLACE, SIDDONS & GOUGH (PVT.) LTD., 6, Lyons Range • RAM NARAIN KAYAN & CO., 7, Lyons Range • STEWART & CO., 14, India Exchange Place

Madras
CHITRA & CO., Post Box No. 1557, 322/323, Linghi Chetty Street • PATERSON & CO., Vanguard House, 3rd floor, 11/12, Second Line Beach

Bangalore
JAHGIRDAR & CO., 21, 2nd Main Road, Seshadripuram • M. NANJAPPAIAH JAHGIRDAR, 205, Cavalry Road, Post Box No. 4271 • VIJAI & CO., 9, Eleventh Main Road, Malleswaram

Ahmedabad
CHAMPAKLAL BHAILAL CHOKSHI, Manek Chowk, Near Share Bazar • LAXMINARAYAN N. GUPTA & CO., Anandji Kalyanji Bldg., Opp. Dhanasuthar's Pole, Relief Road

Hyderabad
P.B. AFZULPURKAR, 4-5-195, Sultan Bazar

Indore
PUSHKARLAL GHUDAWALA, 44, Bada Sarafa • SANTOSH & CO., 44, Bada Sarafa

BANKERS TO THE ISSUE

STATE BANK OF INDIA,
Bombay Samachar Marg, Bombay 400 023

Or any of its Main Offices at:
Ahmedabad (Bhadra), Bangalore (St. Marks Road), Baroda (Mandvi), Bhopal (Sultania Road), Calcutta (Strand Road), Cochin, Coimbatore, Hyderabad (Bank Street), Indore, Jaipur, Jammu, Kanpur, Madras, (First Line Beach), New Delhi (Parliament Street), Pune and Trivandrum.

CENTRAL BANK OF INDIA,
Mahatma Gandhi Road, Bombay 400 023

Or any of its Main Offices at:
Ahmedabad (Lal Darwaja), Amritsar (Katra Ahluwalia)

LOCATION

The Company has two factories at Calcutta and Nasik engaged in manufacturing duplicating machines, stencil, ink, correcting fluid and accessories. Both the factories are equipped with modern and uptodate machinery.

EXPORT

The Company is the pioneer in the export of duplicating machines, stencil and ink. It has already earned for the country valuable foreign exchange of over a crore of rupees. Recently, the Company has made a major breakthrough in the European market by securing export orders for supply of more than 2000 hand and electric model duplicators. The Company's export order book for duplicating machines is virtually full for the next 15 months.

RESEARCH AND DEVELOPMENT

The Company keeps itself abreast with the latest technology and methods of production and is in constant touch with the Research and Development Division of the U.K. Company. The Company maintains its own Research and Development cells both in Nasik and Delhi manned by qualified and experienced engineers trained in the main Gestetner factory in London, which aim at further improvement in quality, import substitution and cost reduction.

SALES AND POST SALES SERVICE

For half-a-century, the Company has gained considerable experience in marketing reprographic equipments and supplies and its sales force trained in the art and technique of modern selling is confident in meeting the challenge of the growing market. The Company is also reputed for efficient Post Sales Service through a contingent of trained and experienced technicians stationed at various centres throughout the Country.

MANAGEMENT & STAFF

The Company is managed by a Board of Directors with Mr. D N. Sarkar as the Chairman and Managing Director who, for the day to day management, is assisted by a team of professional Executives.

BOARD OF DIRECTORS

MR. D.N. SARKAR
(Son of late Narendra Nath Sarkar),
N-117, Panchshila Park,
New Delhi 110 017.

Chairman & Managing Director
Company Executive
Director:
Gestetner Bangladesh Ltd.

MR. R.H. WATSON
(Son of late Duncan Watson),
57, The Bowls, Vicarage Lane,
Chigwell, Essex IG 7.
England.

Company Executive
Chairman:
Rex-Rotary Holdings A/S.
& other companies.

Director:
Gestetner Holdings Ltd.
and other companies.

MR. F.C. LYONS
(Son of late Harold Frederick Lyons),
The Cottage, Broomcroft Road,
Felpham, Bognor Regis,
Sussex, England.

Company Executive
Director:
Gestetner of Ceylon Ltd.
& other companies.

MR. R.N. SEN
(Son of late Debendra Nath Sen),
P-445, C.I.T. Scheme XLVII,
Calcutta 700 029.

Financial Consultant &
Company Director

Chairman:
Gammon Nirman Ltd.
Director:
Shaw Wallace & Co. Ltd.
& other companies.

MR. C.D. KHANNA
(Son of late Ram Rakha Mal),
B-9, Anand Niketan,
New Delhi 110 021.

Company Director
Chairman:
Aravalli Svachalit Vahan Ltd.
Director:
Delhi Cloth & General Mills Co. Ltd.
& other companies.

MR. B.C. RANDERIA
(Son of late Chhaganlal Randeria),
175-A, Gujarat Society,
Sion, Bombay 400 022.

Company Director
Director:
Industrial Finance Corporation of
India & other companies.

MR. A.N. SINHA
(Son of late Narendra Nath Sinha),
7A/73, Western Extension Area,
New Delhi 110 005.

(Alternate Director to
MR. FREDERICK CHARLES
LYONS)
Legal Adviser

not taken up by the aforesaid persons Institutions will be available for meeting the applications from the public.

B. Offered for public subscription for cash

6,60,000 Equity Shares of Rs. 10/- each at a premium of Rs. 4/- per share.	66,00,000	26,40,000
	78,00,000	31,20,000

APPLICATION AND TERMS OF PAYMENT

On application Rs. 4/- per share.
(Rs. 3/- on capital account and Re. 1/- on premium account)

On allotment Rs. 5/- per share
(Rs. 4/- on capital account and Re. 1/- on premium account)

The balance of Rs. 5/- per share (Rs. 3/- on capital account and Rs. 2/- on premium account) shall be payable in one call as may be determined by the Board of Directors, provided that there will be an interval of at least 1 month between the allotment and the date of payment of the call, but so that the entire capital and premium shall be fully paid up on or before 30th April, 1978.

Applications will be considered only from Indian Nationals resident in India and must be for a minimum of 50 Equity Shares or multiples thereof.

SECRETARY

MR. P.R. MUKHOPADHYAY
S-110, Panchshila Park,
New Delhi 110 017.

AUDITORS

MESSRS. LOVELOCK & LEWES,
4, Lyons Range, Calcutta 700 001

SOLICITORS & ADVOCATES

MESSRS. ORR, DIGNAM & CO.,
29, Netaji Subhash Road,
Calcutta 700 001

REGISTRARS TO THE ISSUE

TATA CONSULTANCY SERVICES
(a Division of Tata Sons Limited)
Air India Building, Nariman Point,
Bombay 400 021

UNDERWRITERS

6,60,000 Equity Shares presently offered to the Public for subscription in terms of the Prospectus have been fully underwritten as follows:

Name and address of the Underwriters	Nominal value of shares underwritten (Rs. in lacs.)	Amount underwritten at Rs 14/- per share (Rs. in lacs.)
A. Institutions		
Life Insurance Corporation of India, 'Yogakshema', Jeevan Bima Marg, Bombay 400 021	10.00	14.00
The Industrial Credit and Investment Corporation of India Ltd., 163, Backbay Reclamation, Bombay 400 020	7.00	9.80
General Insurance Corporation of India, Industrial Assurance Building, Churchgate, Bombay 400 020	4.00	5.60
The New India Assurance Co. Ltd., New India Assurance Bldg., 87, Mahatma Gandhi Road, Bombay 400 023	2.00	2.80
National Insurance Co. Ltd., Commercial Union House, 3, Middleton Street Calcutta 700 071	2.00	2.80
The United India Fire and General Insurance Co. Ltd., 24, Whites Road, Madras 600 014	2.00	2.80
B. Commercial Banks		
State Bank of India, Central Office, Madame Cama Road, Bombay 400 021	6.50	9.10
Central Bank of India, Chander Mukhi, Nariman Point, Bombay 400 021	6.50	9.10
United Commercial Bank, 10, Brabourne Road, Calcutta 700 001	5.00	7.00
Pushkarlal	0.25	0.35
Ghudawala	0.25	0.35
Santosh & Co.	0.25	0.35
TOTAL	66.00	92.40

* Addresses of the Broker-Underwriters have been set out under the heading 'Brokers to the Issue'.

In the opinion of the Directors the resources of the Underwriters are sufficient to discharge their respective underwriting obligations in full.

BROKERS TO THE ISSUE

Bombay

BATLIWALA & KARANI, Union Bank Bldg., Dalal Street • BHUPENDRA CHAMPAKLAL DEVIDAS, Regent Chambers, Ceremonial Boulevard, Nariman Point • CHIMANLAL MANEKLAL, 45, Tamarind Lane, 11, Motilal Mansion • DALAL & BROACHA, Stock Exchange Central Bldg., Dalal Street • D.S. PURBHOODAS & CO., Stock Exchange Bldg., Bombay Samachar Marg • DHIRAJLAL MAGANLAL SONS, Stock Exchange, Apollo Street, Fort • HARKISONDASS LUKHMIDASS, Stock Exchange Bldg., 5th floor, Bombay Samachar Marg • HARISH CHANDRA GUTT & CO., 45/47, Bombay Samachar Marg • JAMNADAS KHUSHALDAS & CO., 11-13, Mint Road • JAMNADAS MORARJEE & CO., 5A, Hamam Street • JASVANTLAL CHHAGANLAL, Bhupen Chambers, 9/10, Dalal Street • JASVANTLAL CHHOTALAL & CO., Bhupen Chambers, Dalal Street • LEWIS & JONES, Bank of Baroda Bldg., Bombay Samachar Marg • L.K. PANDAY, 45/47, Bombay Samachar Marg • MERWANJEE BOMANJEE DALAL, Allahabad Bank Bldg., Bombay Samachar Marg • PRABHUDAS LILLADHER, 5A, Hamam Street • VALJI BHIMJI & CO., 24, Stock Exchange Central Bldg., Dalal Street •

New Delhi

BEHARI LAL & CO., Stock Exchange Bldg., Asaf Ali Road • BHARAT BHUSHAN & CO., H-45, Connaught Place • H.P. MEHTA & CO., 304, Surya Kiran, 3rd floor, Kasturba Gandhi Marg • JALAN & CO., Stock Exchange Bldg., Asaf Ali Road • J.C. MEHTA & CO., 44, Stock Exchange Bldg., Asaf Ali Road • RAJA RAM BHASIN & CO., Jeevan Mansion, 8/4, D.B. Gupta Road • SURINDER RODE & CO., 3, Stock Exchange, Asaf Ali Road • VINOD KUMAR & CO., A-6, Connaught Place • V.N. BHASIN & CO., 35, Netaji Subhas Marg

GRINDLAYS BANK LTD.
Lloyds Branch,
270 Dr. D N Road, Bombay 400 001

Or any of its Main Offices at:
Amritsar (Gandhi Bazar), Bangalore (Mission Road), Calcutta (N.S. Road), Cochin (Bristow Road), Darjeeling (Laden La Road), Gauhati (Fancy Bazar), Hyderabad (Mahatma Gandhi Road), Kanpur (Mahatma Gandhi Road), Madras (N.S. Bose Road), New Delhi (Connaught Circus), Simla (The Mall), Srinagar (Sherwani Road) and Tuticorin (Beach Road).

UNITED COMMERCIAL BANK,
(Post Box No. 833),
UCO Bank Building,
Dr. D.N. Road, Bombay 400001

Or any of its Main Offices at:
Ahmedabad (Bhadra), Bangalore (Kempegowda Road), Calcutta (B.T. Maharaj Sarani), Hyderabad (Mehboobgunj), Indore, (Maharani Road), Madras (Thambu Chetty Street) and New Delhi (Parliament Street).

HOW TO APPLY

Obtain copies of the Prospectus and Application Form from the Registered and Head Offices of the Company, the Brokers, Underwriters or Bankers to the issue mentioned above.

Complete and sign the application form (application must be for 50 shares or multiples thereof). Deliver applications with cash, cheque or draft to any branch of the banks mentioned in the application form. Cheques or drafts must be drawn on banks situated in the town where application is submitted.

Opening date :
Monday, the 10th October, 1977

Closing date :
Tuesday, the 25th October, 1977 or earlier but not before Thursday, the 13th October, 1977

Gestetner

Managers to the issue
State Bank of India
Merchant Banking Division

Imageads-IDC-5

LIONS DO NOT COMPROMISE!
NOR DO WE

USE

"THREE LIONS"
BRAND

SODA ASH &

CAUSTIC SODA

SODA BICARB

AMMONIUM BICARBONATE

Saurashtra Chemicals
PORBANDAR

Reserve Bank urges big push to higher investment levels

According to the annual report of the Reserve Bank of India for the year ended June 1977, the economic climate is conducive to achieve higher levels of investment and relative price stability. It is only through the goods and services utilised directly or indirectly that foreign savings can be used to increase the rate of investment and promote the growth of output says the Bank report. The instrument for making draft on foreign savings is clearly a planned trade deficit.

THE FAVOURABLE position in external payments and food stocks is conducive to achieve higher levels of investment in an environment of relative price stability.

There is also an urgent need to bring about a much closer integration between physical and financial planning than hitherto.

These views are among the major highlights of the annual report of the Reserve Bank of India for the year ended June 1977.

Vagaries of Nature

The report says that since natural factors still exercise a dominant influence on the course of the economy, there is a degree of vulnerability in the external payments situation. India, therefore, needs a somewhat larger cushion of reserves than is generally considered adequate to maintain a reasonable measure of stability Beyond this cushion, the accretion of reserves represents a resource which should be available for the economy's use.

At least for the immediate future, therefore, there seems to be a respite from the constraints which the inadequacy of foreign exchange and pressures on the availability of food grains have historically exercised on the country's growth. The developments in external payments and in the food grains situation reflect, however, in a real sense, the inadequacy of the levels of domestic investment and incomes. The task now is to press these resources into service to achieve higher levels of investment in an environment of relative price stability.

The report says that even in the longer term, the growth prospects of the economy turn largely on the country's ability to raise the level of investment and obtain adequate returns from the investments made. In this context, the resources of food grains and foreign exchange provide a welcome degree of manoeuvrability. In addition to facilitating higher investment, exchange resources, supplemented with foreign aid, can be used to maintain the availabilities of mass consumption goods and also of other critical commodities in short supply.

Flexible Import Policy

Import policies can be administered with greater flexibility to check possible price increases in respect of sensitive commodities. The measure of price stability that it can secure in itself be a favourable factor in the efforts to step up domestic savings and investment.

The closer integration between physical and financial planning needs urgent consideration because in some sectors of the economy units equipped at considerable cost to produce strategic items of equipment such as that for power generation are today operating at considerably below capacity despite the economy's unsatisfied need for power. The demand for power equipment remains short of the capacity for producing it because, those who could use the equipment do not command the financial resources to pay for it.

Inadequate Planning

This points to the inadequacy between physical and financial planning. Growth in investment and output would involve additional domestic credit creation either through the budget or the banking system. An external credit, which is part of the development strategy that is envisaged, would provide some offset to such domestic credit creation. What is important from the point of view of containing inflation is the regulation of overall monetary expansion and not just of domestic credit creation.

The creation of additional assets to accelerate development in rural areas, particularly agriculture, can and should be undertaken on economic grounds. The present food stocks are available as a "wage fund" to be used with unutilised reservoir of labour in the countryside, in building up productive assets in the rural economy. The economy has already invested heavily in stocks of food grains. Imaginative planning and organisational effort should be deployed to convert this inventory investment into productive assets in the agriculture sector.

Particular attention would need to be paid to the area of investment in agriculture to increase output of articles of mass consumption such as cotton, vegetable oils, pulses and coarse grains. Realistic price support policies and concerted efforts towards raising the production of these commodities in the newly opened up command areas of irrigation projects should provide more stable and enduring means to meet the country's growing demands.

No Conflict

The report underlines there need be no basic conflict between investment in industry and in the rural sector. A prosperous agricultue will provide the demand for the products of industry as also some of its basic inputs, and a healthy industry will in turn provide the inputs needed for the growth of productivity in agriculture as well as a market for the output of the rural sector.

Any perceptible improvement in the living standards of the people requires a substantially higher rate of investment than has been the case so far. While every effort is necessary for maximising the mobilisation of domestic savings, given

the low levels of income of the country such domestic resources would certainly require continued supplementing with foreign assistance. Recent pledges made at the Aid India Consortium meeting to commit a larger volume of external assistance will be of help in this context.

The instrument for making the draft on foreign savings is clearly a planned trade deficit. It is only through the goods and services utilised directly or indirectly for investment that foreign savings can be used to raise the rate of investment and promote the growth of output. This also is a major task of organisation. The step-up of investment will by itself, generate demand for greater consumption as also of additional investment and thus the economy will be able to absorb additional resources available to it from the external sector. In order that investment does not sag, portions of it diverted to areas where benefits may be inadequate or unduly delayed, there should be at all times an adequate number of projects on the shelf, periodically updated to take account of any changes in the basic data.

Employment Generation

The generation of employment on a larger scale and consequent alleviation of poverty in rural areas call for the ready availability of essential articles of consumption as and where incomes arise. Otherwise, part of these incremental incomes will be neutralised by higher prices. To this end, a large and effective public distribution system is required.

In conclusion, the report says what is called for is an assimilation in the development strategy of arrangements for using the resources of food and foreign exchange and thereby generating a continuing process of growth. These resources of the community have remained unutilised due to structural and institutional rigidities, even while the economy continues to suffer from the low level of productive investment, and the rural areas in particular are marked by large unemployment and destitution. The level of investment in the economy, especially in rural areas, could thus be sustained and the flow of consumption goods to the lower income groups facilitated. All this invalued a massive effort to design and improve the organisational infrastructure supplying the needed missing links in the chain for utilising fully the available productive resources so as to step up the rate of growth, broaden the base of development and provide a better life for the large masses of the people.

Future Prospects

Under the heading "Immediate future prospects" the report says, the year had again emphasised the continuing vulnerability of our agricultural production to the vagaries of weather. The price situation has given cause for renewed concern.

The price rise during the year under review was initially triggered by certain sectoral shortages, but it quickly developed into generalised inflation, because of the expansion in money supply brought about by the large increase in the net bank credit to the government, on top of external surplus and additional bank credit to commercial sector.

"The situation thus clearly calls for stricter fiscal discipline and overall restaint."

As part of an effort to design and improve the organisational and technical support for rural areas and the provision of infrastructural support for the area approach to development, the concept of the lead bank, its objectives and strategies, need to be reviewed so as to be in consonance with the new priorities, the report says.

Significant Step

In this context, the report points out, the Reserve Bank has recently taken a significant step by initiating a programme for the intensive development of cooperative credit institutions in 41 selected districts in the first phase. A series of district credit plans is to be drawn up covering various rural activities. The programme is conceived to work in concert with lead banks in selected districts.

Referring to national income, savings and investment, the report says that national income is estimated to have increased by about two per cent against the increase of 8.5 per in 1975-76. The lower rate of increase was primarily the result of a decline in agricultural production from the high level attained in 1975-76.

The ratio of domestic savings to national income improved marginally to 15.7 per cent from 15.5 per cent in 1975-76. The increase was accounted for by the household sector, with savings of domestic private corporate sector as well as that of public sector showing a decline.

The overall index of agricultural production (base: triennium ended 1961-62=100) is estimated to be 5 to 6 per cent lower in contrast to the rise of 15.6 per cent in the preceding record year, 1975-76.

Industrial production recorded an increase of 10.6 per cent in 1976 against the target of seven per cent envisaged in t revised fifth Plan docume and far exceeded the increa of 4.7 per cent in 1975and 2 per cent in 1974.

Public sector industries su as power generation, coal, st and fertilisers recorded i pressive gains. In the absen of any significant addition capacity, it was mainly t better utilisation of existi capacity that contributed higher production.

The report says that the beh viour of prices was a cause f concern. The downtrend prices in 1975-76 was revers in 1976-77.

Wholesale prices rose by 5 per cent over the year in co trast to the fall of 3.7 per ce in the previous year.

The shortfall in the outp of major commercial cro generated significant increas in prices leading to rise prices of related manufacture products.

Rise in Prices

Rising international pric also contributed to the increas in the price level in 1976-7 Trends in consumer pric followed those in wholesa prices. The index for industri workers, which had declined b 11.3 per cent in 1975-76, we up by 10 per cent during t year and the index for urba non-manual employees rose b 7.3 per cent against a decli of 4.6 per cent during 1975-7

As reflected in the budget the central government for t year, the fiscal policy deploye in 1976-77 two main instr ments in an attempt to stim late savings and investment as to accelerate growth, a sub tantial increase in the annu Plan outlay and rationalisatio of the direct tax structure.

The report says the cred

policy of the Reserve Bank during the year maintained the emphasis on restraint. The policy restraint was so operated that the credit needs for financing legitimate productive and investment activities were not denied. In addition to fiscal and monetary measures, the government took several steps to promote price stability. These included stepping up of public distribution of food grains. The procurement policy continued to serve basically the twin purposes of price support to farmers and building up of buffer stocks.

Over the financial year 1976-77 (April-March), gross bank credit (loans and advances together with bills purchased and discounted) rose by Rs 2,276 crores compared with Rs 2,108 crores in 1975-76. Of this the increase in food procurement-credit was at Rs 669 crores, well below the large expansion of Rs 90 crores in 1975-76.

Non-food Credit

The expansion in non-food credit at Rs 1,607 crores on the other hand was larger than the increase of Rs 1,200 crores in 1975-76. This was partly explained by the larger advances made to the Food Corporation for imported fertiliser and credit given to the Cotton Corporation. Even excluding these, the increase of Rs 1,464 crores in non-food gross credit in 1976-77 was much larger than that of Rs 1,191 crores in 1975-76.

Though aggregate credit expansion was higher than in the previous year the scheduled commercial banks ended the year with a lower credit deposit ratio of 74.9 per cent against 76.8 per cent a year earlier owing to faster expansion in deposits. Aggregate deposits, the report says, rose by 24.0 per cent (Rs 3,402 crores) in 1976-77, compared with 19.7 per cent (Rs 2,328 crores) in 1975-76. Time deposits again accounted for the larger part of this expansion.

The report notes that money supply with the public expanded sharply by 16.1 per cent in 1976-77 which was considerably more than the expansion of 11.9 per cent in 1975-76. The rise in money supply in 1976-77 was almost equally shared by currency with the public and deposit money.

On the external payments position, it says there was a further improvement in the country's external payments position in 1976-77 (July-June) as reflected in substantial increase of Rs 1,831 crores in the foreign exchange reserves (excluding SDRs and gold holdings) to a record level of Rs 3,582 crores at the end of June 1977. The increase took place after meeting a part (Rs 238 crores) of the obligation outstanding to the International Monetary Fund.

STC's performance : 1976-77

During the financial year 1976-77, the export of non-canalised items by the State Trading Corporation increased by 146 per cent, bringing it to Rs 160 crores from Rs 65 crores in the previous year. Announcing the financial results for 1976-77 at his first press conference after assuming charge as chairman of STC, Dr S.C. Bhattacharjee said that the volume of world trade rose by about 12 per cent in 1976-77 as compared to the previous year, whereas the rate of increase of Indian exports was 30 per cent over the previous year.

COMMODITY PRICES on an overall basis increased in 1976. The prices of several commodities traded by the Corporation showed some recovery providing inducement to exports. However, in the case of sugar and rice, two of the important commodities handled by the Corporation, prices declined significantly.

In its efforts to diversify the markets, the Corporation penetrated into a number of new areas; Mango juice to Libya and Kuwait, pineapple products to Hungary, chilled meat to Kuwait, fire-resistant flying overalls to Sudan, sports goods to USSR and Algeria and shoe uppers to GDR.

Dr Bhattacharjee said that the imports during the year by STC increased to Rs 301 crores from Rs 160 crores in the preceding year (excluding CPC figures). The curbing of inflationary tendency in the economy through the judicious use of foreign exchange reserve was aimed by the government's liberalised import policy culminating into higher level of imports of essential commodities and industrial raw materials by the Corporation.

In the case of edible oils, an intensive import programme was taken up by the Corporation and about 6.2 lakhs tonnes was imported during 1976-77 oil year (i.e. October, 1976 to September, 1977) against 1.6 lakn tonnes of the previous year. Efforts were concentrated to ease the shortages of edible oils in the domestic market through judicious purchases of large quantum at short notice. The shortage and distribution facilities had to be expanded substantially in various regions so as to ensure smooth supply of oils to the vanaspati industries.

The entire requirement of newspaper industry was met—during and after the general elections. Adequate buffer stocks were maintained at various points to effect ex-godown delivery to small newspapers.

The price support operations for seed lac and natural rubber were continued during the year on enhanced scale at the instance of government.

In 1976-77, seed lac valued at Rs 5.9 crores and rubber worth Rs 7.6 crores were procured under this programme. These large scale purchases by the Corporat on helped growers to realise better prices for their produce, thus benefiting a large number of tribals in Bihar and West Bengal.

STC continued its endeavour to improve its customer services by providing marketing intelligence to associates through market studies, product designs, distribution of samples, packing advices, etc. The STC has also introduced. Customer Relations Cell at the headquarters and at major branches in the country to attend to customer assistance and services.

During the current year, the Corporation is adopting the selectivity approach, Dr Bhattacharjee said. The accumulation of our foreign-exchange reserves provides a greater scope of manoeuvrability than ever before and, therefore, there is no need to sacrifice the domestic requirements in favour of exports. Even then there seems to be no reason for complacency in the exports, as the coun-

try still needs to continue development of a sound export base for enabling her to pay for vital imports needed for its economic development.

However, Dr Bhattacharjee added, to meet its objectives more emphasis has now to be placed on export of these items which do not create any strain on the domestic cosnumer's requirements and do not involve additional burden on exchequer by way of subsidies. In the context of rising unemployment in the country, it is equally imperative that exports of highly labour intensive items generating employment are encouraged. The Corporation has planned an increase of about 20 per cent in its exports during the current year. Higher exports of footwear, finis leather, readymade garme footwear components, a software, etc have been inte fied as this emanate larg from small scale sectors are employment oriented.

Composition of STC's Exports and Imports

(By Division)

(Rs Cro

	EXPORTS			IMPORTS			TOTAL		
	Last year 1975-76	This year 1976-77	Next year budget 1977-78	Last year 1975-76	This year 1976-77	Next year budget 1977-78	Last year 1975-76	This year 1976-77	Next ye budg 1977-
SALES									
AGRICULTURAL	524.2	290.1	326.7	48.6	171.4	291.3	572.8	461.5	618.
Sugar	468.5	152.0	180.0	—	—	—	468.5	152.0	180.
Produce and Foods	31.4	103.3	124.2	2.3	1.7	1.3	33.7	105.0	125.
Oils & Fats	24.3	34.8	22.5	46.3	169.7	290.0	70.6	204.5	312.
INDUSTRIAL	69.3	176.1	269.3	112.0	129.5	109.5	181.3	305.6	378.
Silver	5.4	93.6	130.0	—	—	—	5.4	93.6	130.
General Products	16.9	15.8	13.3	—	—	—	16.9	15.8	13.
Textiles	15.7	17.4	50.0	62.8	64.4	44.5	78.5	81.8	94.
Cement	15.2	32.6	40.0	—	—	—	15.2	32.6	40.
Army Software	11.1	3.1	10.0	—	—	—	11.1	3.1	10.
Development	3.1	7.6	14.0	—	—	—	3.1	7.6	14.
Irmac	—	—	—	11.1	7.4	15.0	11.1	7.4	15.
Meat & Marine Products	1.9	6.0	12.0	—	—	—	1.9	6.0	12.
Newsprint	—	—	—	37.4	56.9	49.3	37.4	56.9	49.
Books	—	—	—	0.7	0.8	0.7	0.7	0.8	0.
LEATHER	165.2	199.4	208.0	—	0.4	2.0	165.2	199.8	210.
CHEMICALS	1.4	—	—	56.4	—	—	57.8	—	
Chemicals-I	—	—	—	12.5	—	—	12.5	—	
Chemicals-II	—	—	—	22.4	—	—	22.4	—	
Chemicals-III	1.1	—	—	—	—	—	1.1	—	
Drugs	0.3	—	—	21.5	—	—	21.8	—	
Total	760.1	665.6	804.0	217.0	301.3	402.8	977.1	966.9	1,206.
DOMESTIC TRADE	—	—	—	—	—	—	3.9	8.6	5.
Grand Total	760.1	665.6	804.0	217.0	301.3	402.8	981.0	975.5	1,211.

Composition of Exports by Commodities and Countries

(Items of value (FOB) of Rs 20 lakhs and above)

Commodity	Country	Rupees (lakhs)
Sugar	Indonesia	3482.17
	Sudan	3440.00
	USA	2115.77
	Yemen	1571.04
	UAR	1227.93
	UK	881.67
	Iran	847.49
	Sri Lanka	577.19
	Rumania	463.74
	Somalia	303.26
	Tunisia	177.20
	Algeria	37.87
	Nepal	25.76
	Others	16.95
		15168.04
Semi-Processed Leather	UK	3495.05
	USSR	3073.39
	Italy	2838.46
	Japan	1443.25
	France	1368.41
	West Germany	591.88
	GDR	400.68
	Yugoslavia	350.84
	Poland	348.91
	Czechoslovakia	248.19
	Rumania	241.38
	Spain	137.21
	Bulgaria	121.40
	Belgium	112.79
	USA	73.23
	New Zealand	58.80
	Hungary	51.69
	Netherlands	43.72
	Others	35.02
		15034.30
ver	France	4393.41
	UK	2511.36
	Switzerland	1386.85
	USA	697.48
	West Germany	124.69
	Belgium	56.61
	Others	16.30
		9186.70
ee	USSR	1789.70
	USA	1276.16
	Yugoslavia	743.22
	Norway	369.92
	Netherlands	315.17
	West Germany	258.17
	UK	249.96
	UAE	142.40
	Kuwait	106.82
	Hungary	99.91
	Japan	77.36
	Italy	56.09
	France	47.87
	Austria	22.23
	Qatar	22.00
	Canada	20.76
	Others	51.61
		5649.35
Castor Oil	USA	745.60
	France	711.31
	UK	581.06
	USSR	554.68
	Czechoslovakia	111.21
	Australia	96.40
	Netherlands	82.35
	Japan	78.81
	Sudan	24.21
	Malaysia	20.75
	Others	28.65
		3035.03
Cement	Iran	1137.59
	UAE	566.17
	Muscat	249.58
	Bahrein	188.72
	Nepal	30.22
	Others	5.82
		2178.10
Leather Footwear (Through associates)	USA	1126.77
	Canada	194.89
	UK	142.78
	France	107.68
	Australia	68.59
	Netherlands	66.25
	UAE	23.74
	Others	157.76
		1888.46
Tobacco	UK	729.06
	Switzerland	205.35
	USSR	105.84
	Bulgaria	39.21
	Italy	20.78
	Others	13.25
		1113.49

— Contd.

Commodity	Country	Rupees (lakhs)
Finished Leather	USA	424.16
	Italy	177.69
	UK	126.48
	West Germany	67.44
	Yugoslavia	60.69
	Canada	21.47
	Others	58.07
		936.00
Shellac/Seedlac	UK	108.00
	USA	103.54
	USSR	100.63
	Singapore	99.15
	West Germany	75.23
	Brazil	52.18
	Iraq	39.21
	UAR	35.79
	Netherlands	27.20
	Australia	25.54
	Italy	20.63
	Others	227.87
		914.97
Natural Rubber	Japan	384.32
	Singapore	224.95
	West Germany	133.55
	Others	54.50
		797.32
Leather Footwear (Direct)	USSR	615.28
	France	26.37
	Others	24.37
		666.02
Jute Goods	Sudan	279.58
	USA	166.31
	West Indies	75.77
	New Zealand	20.79
	Uganda	20.17
	Others	89.14
		651.76
Rice	Saudi Arabia	301.24
	UAE	152.84
	UK	37.69
	Malaysia	33.64
	Kuwait	28.58
	Others	32.54
		586.53
Opium	USSR	415.46
	Poland	53.85
	Bulgaria	26.98
	Taiwan	8.93
		505.22

Commodity	Country	Rupees (la
Spices	Yugoslavia	10
	USSR	6
	Poland	4
	GDR	4
	Saudi Arabia	4
	Japan	3
	USA	2
	Czechoslovakia	2
	Others	6
		47
Readymade Garments	UK	13
	USA	10
	West Germany	6
	France	6
	Canada	3
	Others	4
		444
Leather Components	GDR	34
	Others	4
		389
Other Footwear (Through Associates)	UK	5
	Netherlands	5
	Canada	4
	West Germany	4
	France	2
	Others	8
		322
Artsilk Fabrics/ R.T. Cord	UK	5
	West Germany	5
	Poland	3
	USA	3
	Iran	2
	Others	8
		308
Army Software	Iraq	16
	UAR	7
	Others	4
		29
Barley	Kuwait	21
	Iraq	5
	Others	2
		29
Groundnut Oil	France	27
Cotton Textiles	GDR	6
	USSR	5
	France	4
	Hungary	2
		—C

Composition of Exports by Commodities and Countries—*Contd.*

Commodity	Country	Rupees (lakhs)
	West Germany	23.62
	Others	55.67
		269.75
Fresh Meat	Kuwait	208.79
	UAE	29.80
	Others	3.18
		241.77
Processed Foods	USSR	172.75
	GDR	26.76
	Others	39.71
		239.22
Mollasses	USA	112.07
	UK	88.71
		200.78
Salt	Singapore	99.87
	Sri Lanka	43.08
	South Korea	23.36
	Others	28.44
		194.75
Construction Materials	Iraq	94.51
	UAR	43.66
	Others	12.20
		150.37
Dried Fish	Sri Lanka	135.32
	Others	1.27
		136.59
Alcohol	Switzerland	73.11
	Japan	51.89
		125.00
Lemongrass Oil	USSR	78.60
	Others	32.04
		110.64
Live Stock	Qatar	49.36
	UAE	29.24
	Saudi Arabia	23.51
	Muscat	1.13
		103.24
Groundnut Kernels	UK	31.72
	USSR	31.42
	Others	27.55
		90.69
Tea	Yugoslavia	88.47
Dry Fruits	Yugoslavia	45.70
	Hungary	23.60
	Others	13.44
		82.74
Cosmetics & Toiletries	USSR	39.90
	Hungary	33.07
	Others	9.48
		82.45
Sports Goods	Australia	21.00
	Others	56.08
		77.08
Coir Products	USSR	17.45
	Yugoslavia	15.22
	Others	36.92
		69.59
Vacuum Flasks	USSR	68.89
Wood Charcoal	Iraq	67.04
Fish Meal	Taiwan	30.96
	Others	31.79
		62.75
Gramophone Records	Hungary	55.96
	Others	5.22
		61.18
Leather Goods	West Germany	22.70
	Others	21.71
		44.41
Dry Batteries	France	14.66
	Others	16.83
		31.49
Wheat Bran	Japan	28.54
	Hong Kong	2.27
		30.81
Aluminium Ingots	USA	28.53
Soyabean Oil	USA	7841.44
	Brazil	2040.71
	Spain	1017.59
	West Germany	651.64
	Netherlands	545.48
		12096.86
Newsprint	Canada	2808.99
	USSR	1552.18
	Japan	287.32
	Czechoslovakia	171.19
	Finland	136.62
	Bangladesh	25.62
		4981.92

—Contd.

Composition of Exports by Commodities and Countries—*Contd.*

Commodity	Country	Rupees (lakhs)
Rapeseed Oil	Canada	2305.25
	France	420.17
	Sweden	347.83
	Denmark	253.42
	West Germany	238.36
	Belgium	183.86
		3748.89
Palm Oil (V)	Malaysia	1788.66
	Indonesia	565.11
		2353.77
Mutton Tallow/ Palm Oil (S)	Australia	1066.72
	USA	501.39
	Malaysia	34.21
		1602.32
Greasy Wool/Shoddy	Australia	1297.11
	Canada	40.88
	Belgium	34.36
	Netherlands	27.57
	Japan	20.73
	Others	4.47
		1425.12
R.G. Woodpulp	USA	1047.28
	Canada	33.10
		1080.38
Synthetic Rubber	Canada	323.10
	Japan	157.95
	USA	156.48
	West Germany	69.84
	France	30.36
	Others	6.80
		744.53
D.M.T.	Italy	202.41
	Japan	163.11
	West Germany	194.73
	Poland	65.16
	Netherlands	51.21
		676.62
M.E.G.	Japan	387.45
	UK	204.80
	Australia	43.75
		636.00
Polyester Fibre	Japan	311.63
	South Korea	112.96
	Taiwan	72.84
	Malaysia	3.02
		500.45

Commodity	Country	Rupees (la
D.D.T.	USSR	40
	Poland	3
		44
Caprolactum	West Germany	161
	Netherlands	131
	Japan	70
	Others	28
		391
Photogoods	GDR	52
	Hungary	49
	Czechoslovakia	2
		104
Polyester Filament Yarn	Japan	82
	Others	11
		94
Synthetic Fibre	Japan	79
	Others	11
		90
Books	USA	30
	UK	19
	Others	20
		70
Woollen Rags	Australia	21
	Others	46
		68
Leather Machinery	France	33
	Others	23
		56
Dry Fruits	Afghanistan	52
Sisal/Manila	Kenya	47
	Philippines	0
		48
P.M. Instruments	Switzerland	33
	USA	13
		47
Brewery Hops	Czechoslovakia	40
Drilling Accessories	Sweden	32
Nylon Filament Yarn	Japan	24
	Others	3
		28

Financial Results of the State Trading Corporation and Subsidiaries

(Rs. Lakhs)

	State Trading Corporation of India Ltd		State Chemicals & Pharmaceuticals Corporation of India Ltd*	Cashew Corporation of India Ltd		Project & Equipment Corporation of India Ltd		Handicrafts & Handlooms Exports Corporation of India Ltd**	
	1976-77	1975-76	1976-77	1976-77	1975-76	1976-77	1975-76	1976-77	1975-76
I. SALES									
Exports	66,559.88	76,010.58	629.27	358.59	157.09	4,014.40	2,858.47	4,354.48	3,256.48
Imports	30,124.99	21,698.42	9,148.01	1,975.35	3,760.03	153.00	1,104.08	—	—
Domestic	860.30	390.11	—	—	—	—	—	109.25	34.09
TOTAL	97,545.17	98,099.11	9,777.28	2,333.94	3,917.12	4,167.40	3,962.55	4,463.73	3,290.57
II. INCOME									
Trading Profit	2,644.16	1,651.75	627.67	230.54	424.67	201.49	148.18	317.58	246.81
Other Income	569.74	319.52	75.35	12.66	3.52	72.71	67.07	121.18	79.72
TOTAL	3,213.90	1,971.27	703.02	243.20	428.19	274.20	215.25	438.76	326.53
III. COSTS									
Administrative	715.36	617.48	117.23	17.74	18.51	112.57	76.18	235.50	190.49
Interest (Net)	(—)239.37	(—)143.54	79.45	(—)53.26	(—)57.29	(—)81.16	18.32	72.50	47.86
Depreciation	21.25	17.47	0.09	0.50	0.65	0.36	0.16	5.87	2.28
Provisions & Write-offs	50.33	24.47	14.65	0.18	0.24	0.04	—	13.03	10.60
TOTAL	547.57	515.88	211.42	(—)34.84	(—)37.89	31.81	94.66	326.90	251.23
IV. PROFIT									
Before Tax	2,666.33	1,455.39	491.60	278.04	466.08	242.39	120.59	111.78	75.30
Less Tax	1,722.00	885.00	355.00	165.32	326.62	167.00	84.00	—	—
After Tax	944.33	570.39	136.60	112.72	139.46	75.39	36.59	111.78	75.30
V. EQUITY	1,000.00	1,000.00	100.00	150.00	75.00	100.00	100.00	362.00	362.00
VI. RESERVES	3,615.33	2,390.06	216.60	513.36	505.54	249.85	89.46	242.17	125.30
II. STOCKS									
(Excluding in-transit)	3,936.68	2,676.03	1,241.59	—	—	32.68	33.93	681.93	482.91
II. DEBTORS	2,046.24	1,176.62	289.40	0.41	0.16	326.80	384.50	481.44	277.12
X. RATIOS	%	%	%	%	%	%	%	%	%
Trading Profit : Sales	2.7	1.7	6.4	9.8	10.8	4.8	3.7	7.1	7.5
Costs : Sales	0.6	0.5	2.2	(—)1.5	(—)1.0	0.8	2.4	7.4	7.6
Stocks : Sales	4.0	2.7	12.7	—	—	0.8	0.9	15.3	14.7
Debtors : Sales	2.1	1.2	3.0	—	—	7.8	9.7	10.8	8.4

—*Contd.*

Financial Results of State Trading Corporation and Subsidiaries—*Contd.*

(Rs. La

	State Trading Corporation of India Ltd		State Chemicals & Pharm. Corporation of India Ltd*	Cashew Corporation of India Ltd		Project & Equipment Corporation of India Ltd		Handicrafts & Handlooms Exports Corpora of India Ltd**	
	1976-77	1975-76	1976-77	1976-77	1975-76	1976-77	1975-76	1976-77	1975
FUNDS EMPLOYED									
Shareholders' Funds									
Share Capital	1,000.00	1,000.00	100.00	150.00	75.00	100.00	100.00	362.00	362
Reserves	3,615.33	2,390.06	116.60	513.36	505.64	149.85	89.46	242.17	12
Total	4,615.33	3,390.06	216.60	663.36	580.64	249.85	189.46	604.17	48
Loans	721.32	753.98	—	—	—	2,221.94	2,260.06	797.85	42
Total	5,336.65	4,144.04	216.60	663.36	580.64	2471.94	2,449.52	1,402.02	91
APPLICATION OF FUNDS									
Fixed Assets	333.79	307.59	0.61	1.82	2.30	1.80	0.90	46.03	2
Investments	630.84	1,420.49	—	—	—	—	—	50.05	
Current Assets, Loans & Advances									
Interest Accrued	13.43	15.44	—	—	—	—	—	—	
Stocks	9,379.05	3,560.12	1,743.02	0.06	67.85	32.68	33.93	819.06	58
Debtors	1,959.43	1,036.92	195.29	0.40	0.14	319.02	374.99	471.17	26
Cash & Bank Balances	3,107.92	882.36	168.52	40.83	1.04	9.66	62.26	41.99	5
Taxes Paid in Advance	6,343.95	4,749.47	269.50	148.84	254.40	377.58	208.89	—	
Loans & Advances	3,964.55	6,171.63	260.94	683.85	728.83	2,887.02	2,659.12	174.98	10
Total	24,768.33	16,415.94	2,637.27	873.98	1,052.26	3,625.96	3,339.19	1,507.20	1,01
Less : **Current Liabilities & Provisions**									
Sundry Creditors	12,757.28	9,672.94	1,682.63	15.88	129.59	294.04	178.82	149.15	13
Other Liabilities	581.86	412.62	363.65	1.93	2.71	422.27	451.25	59.12	
Due to Holding/ Subsidiary Companies	35.49	36.96	—	0.13	—	—	—	1.95	
Interest Accrued but not Due for Payment	—	—	—	—	—	33.69	30.25	—	
Provision for Tax	6,846.90	3,684.90	355.00	164.50	326.62	390.00	223.00	—	
Other Provisions	174.78	192.56	20.00	30.00	15.00	15.97	7.25	—	
Total	20,396.31	13,999.98	2,421.28	212.44	473.92	1,155.97	890.57	210.22	13
Net Current Assets	4,372.02	2,415.96	215.99	661.54	578.34	2,469.99	2,448.62	1,296.98	87
Misc. Expenses & Losses	—	—	—	—	—	—	—	8.96	
TOTAL :	5,336.65	4,144.04	216.60	663.36	580.64	2,471.79	2,449.52	1,402.02	91

*Commenced business w.e.f. April 1, 1976

**Accounts of Central Cottage Industries Corporation of India Ltd have not been finalised.

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